

<b>Interview Summary</b>	<b>Application No.</b> 09/557,617	<b>Applicant(s)</b> WOOLSTON, THOMAS G.	
	<b>Examiner</b> Sandra Snapp	<b>Art Unit</b> 3624	

All participants (applicant, applicant's representative, PTO personnel):

- (1) Sandra Snapp. (3) Vinnie Millin.  
 (2) Tom Woolston. (4) \_\_\_\_\_.

Date of Interview: 31 August 2004.

Type: a) ☐ Telephonic b) ☐ Video Conference  
 c) ☒ Personal [copy given to: 1) ☐ applicant 2) ☐ applicant's representative]

Exhibit shown or demonstration conducted: d) ☐ Yes e) ☒ No.  
 If Yes, brief description: \_\_\_\_\_.

Claim(s) discussed: 31 and 37.

Identification of prior art discussed: Shavit et al. (US).

Agreement with respect to the claims f) ☐ was reached. g) ☐ was not reached. h) ☒ N/A.

Substance of Interview including description of the general nature of what was agreed to if an agreement was reached, or any other comments: See Continuation Sheet.

(A fuller description, if necessary, and a copy of the amendments which the examiner agreed would render the claims allowable, if available, must be attached. Also, where no copy of the amendments that would render the claims allowable is available, a summary thereof must be attached.)

THE FORMAL WRITTEN REPLY TO THE LAST OFFICE ACTION MUST INCLUDE THE SUBSTANCE OF THE INTERVIEW. (See MPEP Section 713.04). If a reply to the last Office action has already been filed, APPLICANT IS GIVEN ONE MONTH FROM THIS INTERVIEW DATE, OR THE MAILING DATE OF THIS INTERVIEW SUMMARY FORM, WHICHEVER IS LATER, TO FILE A STATEMENT OF THE SUBSTANCE OF THE INTERVIEW. See Summary of Record of Interview requirements on reverse side or on attached sheet.

Examiner Note: You must sign this form unless it is an Attachment to a signed Office action.

  
 Examiner's signature, if required

## Summary of Record of Interview Requirements

### Manual of Patent Examining Procedure (MPEP), Section 713.04, Substance of Interview Must be Made of Record

A complete written statement as to the substance of any face-to-face, video conference, or telephone interview with regard to an application must be made of record in the application whether or not an agreement with the examiner was reached at the interview.

### Title 37 Code of Federal Regulations (CFR) § 1.133 Interviews

#### Paragraph (b)

In every instance where reconsideration is requested in view of an interview with an examiner, a complete written statement of the reasons presented at the interview as warranting favorable action must be filed by the applicant. An interview does not remove the necessity for reply to Office action as specified in §§ 1.111, 1.135. (35 U.S.C. 132)

#### 37 CFR §1.2 Business to be transacted in writing.

All business with the Patent or Trademark Office should be transacted in writing. The personal attendance of applicants or their attorneys or agents at the Patent and Trademark Office is unnecessary. The action of the Patent and Trademark Office will be based exclusively on the written record in the Office. No attention will be paid to any alleged oral promise, stipulation, or understanding in relation to which there is disagreement or doubt.

The action of the Patent and Trademark Office cannot be based exclusively on the written record in the Office if that record is itself incomplete through the failure to record the substance of interviews.

It is the responsibility of the applicant or the attorney or agent to make the substance of an interview of record in the application file, unless the examiner indicates he or she will do so. It is the examiner's responsibility to see that such a record is made and to correct material inaccuracies which bear directly on the question of patentability.

Examiners must complete an Interview Summary Form for each interview held where a matter of substance has been discussed during the interview by checking the appropriate boxes and filling in the blanks. Discussions regarding only procedural matters, directed solely to restriction requirements for which interview recordation is otherwise provided for in Section 812.01 of the Manual of Patent Examining Procedure, or pointing out typographical errors or unreadable script in Office actions or the like, are excluded from the interview recordation procedures below. Where the substance of an interview is completely recorded in an Examiners Amendment, no separate Interview Summary Record is required.

The Interview Summary Form shall be given an appropriate Paper No., placed in the right hand portion of the file, and listed on the "Contents" section of the file wrapper. In a personal interview, a duplicate of the Form is given to the applicant (or attorney or agent) at the conclusion of the interview. In the case of a telephone or video-conference interview, the copy is mailed to the applicant's correspondence address either with or prior to the next official communication. If additional correspondence from the examiner is not likely before an allowance or if other circumstances dictate, the Form should be mailed promptly after the interview rather than with the next official communication.

The Form provides for recordation of the following information:

- Application Number (Series Code and Serial Number)
- Name of applicant
- Name of examiner
- Date of interview
- Type of interview (telephonic, video-conference, or personal)
- Name of participant(s) (applicant, attorney or agent, examiner, other PTO personnel, etc.)
- An indication whether or not an exhibit was shown or a demonstration conducted
- An identification of the specific prior art discussed
- An indication whether an agreement was reached and if so, a description of the general nature of the agreement (may be by attachment of a copy of amendments or claims agreed as being allowable). Note: Agreement as to allowability is tentative and does not restrict further action by the examiner to the contrary.
- The signature of the examiner who conducted the interview (if Form is not an attachment to a signed Office action)

It is desirable that the examiner orally remind the applicant of his or her obligation to record the substance of the interview of each case. It should be noted, however, that the Interview Summary Form will not normally be considered a complete and proper recordation of the interview unless it includes, or is supplemented by the applicant or the examiner to include, all of the applicable items required below concerning the substance of the interview.

A complete and proper recordation of the substance of any interview should include at least the following applicable items:

- 1) A brief description of the nature of any exhibit shown or any demonstration conducted,
- 2) an identification of the claims discussed,
- 3) an identification of the specific prior art discussed,
- 4) an identification of the principal proposed amendments of a substantive nature discussed, unless these are already described on the Interview Summary Form completed by the Examiner,
- 5) a brief identification of the general thrust of the principal arguments presented to the examiner,  
(The identification of arguments need not be lengthy or elaborate. A verbatim or highly detailed description of the arguments is not required. The identification of the arguments is sufficient if the general nature or thrust of the principal arguments made to the examiner can be understood in the context of the application file. Of course, the applicant may desire to emphasize and fully describe those arguments which he or she feels were or might be persuasive to the examiner.)
- 6) a general indication of any other pertinent matters discussed, and
- 7) if appropriate, the general results or outcome of the interview unless already described in the Interview Summary Form completed by the examiner.

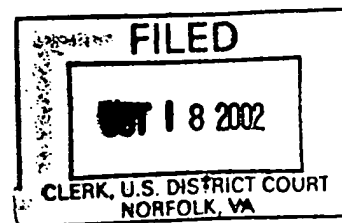
Examiners are expected to carefully review the applicant's record of the substance of an interview. If the record is not complete and accurate, the examiner will give the applicant an extendable one month time period to correct the record.

### Examiner to Check for Accuracy

If the claims are allowable for other reasons of record, the examiner should send a letter setting forth the examiner's version of the statement attributed to him or her. If the record is complete and accurate, the examiner should place the indication, "Interview Record OK" on the paper recording the substance of the interview along with the date and the examiner's initials.

Continuation of Substance of Interview including description of the general nature of what was agreed to if an agreement was reached, or any other comments: Applicant presented proposed claim language for claims 31 and 37 with emphasis being placed on the present invention being directed to an autonomous ascending bid auction that has its own internal accounts within the system that provide for book entry transactions to occur without using financial institutions outside the claimed system. The Applicant also provided copies of the Board Decision in a related case (SN 09/253,014) Appeal No. 2003-1088, two Order and Opinions from the US District Court, Eastern District of Virginia, regarding the outcome of Markman hearings that were held with regard to Patent Nos. 6,202,051 and 6,085,176, a Notice of Co-Pending Cases and Related matters for Examiner Interview August 31, 2004, and eBay's United States Utility Patent Applications Produced, copies of which are herein made of record in this application. It was agreed the Applicant would file a Supplemental Amendment in response to the interview wherein he would provide specification support for the newly amended claim language.

IN THE UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF VIRGINIA  
Norfolk Division



MERCEXCHANGE, L.L.C.,  
Plaintiff,

v.

Civil Action No. 2:01cv736

eBAY, INC., et al.,  
Defendants.

**ORDER AND OPINION**

On July 30 and 31, 2002, the court conducted a Markman hearing for the purpose of construing the claims in the plaintiff's three patents at issue. After careful consideration of the briefs submitted by the parties, and the argument of counsel at the hearing, the court issues this Order and Opinion detailing the claims constructions and reasons therewith.

**I. Factual and Procedural Background**

On September 26, 2001, MercExchange, L.L.C. ("plaintiff") brought the instant action alleging patent infringement in violation of the federal patent laws of the United States, 35 U.S.C. § 271, et seq. In its Complaint, plaintiff alleges that eBay, Inc., Half.com and ReturnBuy (collectively "defendants") have infringed upon three patents: U.S. Patent No. 6,202,051 ("the '051 patent") entitled "Facilitating Internet Commerce Through Internetworked Auctions;" U.S. Patent No. 6,085,176 ("the '176 patent") entitled "Method and Apparatus for Using Search Agents to Search Plurality of Markets for Items;" and U.S. Patent No. 5,845,265 ("the '265 patent") entitled "Consignment Nodes," (collectively "patents at issue"). An Amended Complaint was filed on December 7, 2001; however, the parties and patents at issue remain the same.

On March 13, 2001, the '051 patent was duly and legally issued to the inventor, Thomas

Woolston, for an invention pertaining to a method and apparatus for facilitating internet commerce through internetworked auctions. On July 4, 2000, the '176 patent was duly and legally issued to the inventor, Thomas Woolston, for an invention pertaining to a method and apparatus for using search agents to search a plurality of markets for items. On December 1, 1998, the '265 patent was duly and legally issued to the inventor, Thomas Woolston, for an invention pertaining to a method and apparatus for creating a computerized market for goods for sale or auction by use of a plurality of low cost posting terminals. Mr. Woolston assigned the rights, title and interest to these patents to the plaintiff, and therefore, it has the legal right to enforce the patents, sue for infringement, and seek equitable relief and damages. The plaintiff alleges that through the use of methods and apparatuses, the defendants have infringed upon its patents, and continue to do so, causing plaintiff to suffer irreparable harm resulting from the loss of its lawful patent rights to exclude others from making, using, selling, offering to sell and importing the patented inventions.

On May 30, 2002, this court held a hearing regarding five Motions for Summary Judgment which had been filed by the parties. While the Motions were under advisement, the parties agreed to continue the trial date and conduct a Markman hearing on the originally-scheduled trial date. On July 10, 2002, the court issued an Opinion on two of the five outstanding Motions for Summary Judgment, deferring judgment on the remaining three until after the Markman hearing. These remaining Motions will be ruled upon in a separately issued Opinion.

As an initial matter, the court restates its frustration over how these parties have handled this case thus far. At the hearing on the Summary Judgment Motions, neither party had requested

a Markman hearing, even though a number of terms were in dispute. It wasn't until this court requested that the parties arrange for a Markman hearing in order to resolve a number of claim disputes that the parties opted to conduct the hearing during the days when the trial was to begin. Two weeks prior to the hearing, the parties flooded this court with documents. One week prior to hearing, the parties submitted round two of documents, which included not only bundles of documents, but boxes of paperwork. The court was forced to drop all other matters in order to prepare for the Markman hearing. During this preparation, the court realized that not only did the parties disagree as to what the claims meant, but they also disagreed as to which claims were in dispute. When the court inquired about this at the hearing, the parties couldn't even agree as to how to proceed with the hearing. As a result, the court was forced to construe practically every term in the claims of all three patents. Not only was this tremendously time consuming, it was completely unfair to this court. The law firms representing these parties, experts in patent law, had a number of partners and associates working on this case, as was evident by the number of lawyers at the Markman hearing. In contrast, this court had far fewer resources available, as well as a considerable civil and criminal docket to maintain. As a result of the parties' inability to cooperate at all, this court has been forced to expend an incredible amount of time and resources handling this case. Hopefully, this court's claims construction will be a catalyst for the parties to resolve many of the outstanding issues in this case without the court's continued involvement.

## **II. Claims Construction Procedure**

The first step in a literal patent infringement case is claim construction, which is a matter of law. Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed. Cir. 1995), aff'd, 517 U.S. 370, 116 S. Ct. 1384 (1996). "Claim interpretation begins with an examination of the

intrinsic evidence, i.e., the claims, the rest of the specification and, if in evidence, the prosecution history.” CCS Fitness v. Brunswick Corp., 288 F.3d 1359, 1366 (Fed. Cir. 2002). “Courts may also use extrinsic evidence (e.g., expert testimony and treatises) to resolve the scope and meaning of a claim term.” Id.

**A. Claims and Specification**

“Generally there is a heavy presumption in favor of the ordinary meaning of the claim language as understood by one of ordinary skill in the art.” Bell Atlantic Network Svcs., Inc. v. Covad Communications Group, Inc., 262 F.3d 1258, 1268 (Fed. Cir. 2001). However, this presumption may be overcome “where the patentee has chosen to be his own lexicographer or [] where a claim term deprives the claim of clarity such that there is ‘no means by which the scope of the claim may be ascertained from the language used.’” Id. (quoting Johnson Worldwide Assoc., Inc. v. Zebco Corp., 175 F.3d 985, 990 (Fed. Cir. 1999)). This can occur when the inventor exhibits an express intent to impart a novel meaning to the claim terms in the specification or prosecution history. Id. Furthermore, the specification “can provide guidance as to the meaning of the claims, thereby dictating the manner in which the claims are to be construed, even if the guidance is not provided in explicit definitional format.” Id. (quoting SciMed Life Sys., Inc. v. Advanced Cardiovascular Sys., Inc., 242 F.3d 1337, 1344 (Fed. Cir. 2001)); see also Vitronics Corp. v. Conception, Inc., 90 F.3d 1576, 1582 (Fed. Cir. 1996) (“The specification acts as a dictionary when it expressly defines terms used in the claims ... [and thus], it is the single best guide to the meaning of a disputed term.”). Courts have also approved of the use of a dictionary to ascertain the ordinary definition of a term, provided that such a definition does not contradict a definition found in the patent documents. Id. at 1584 n.6.

Patent specifications often contain what are referred to as “preferred embodiments,” which further serve to illustrate the claimed invention. Although the Court of Appeals for the Federal Circuit has held that claims should be read in view of the specification, see, e.g., Vitronics, 90 F.3d at 1582, the court has cautioned against artificially limiting the scope of a claim to the preferred embodiment. See, e.g. Intervet Am., Inc. v. Kee-Vet Labs., Inc., 887 F.2d 1050, 1053 (Fed. Cir. 1989) (“interpreting what is meant by a word in a claim is not to be confused with adding an extraneous limitation appearing in the specification.”) (internal quotation omitted). In Wang Labs. v. America Online, Inc., 197 F.3d 1377 (Fed. Cir. 1999), the Court of Appeals for the Federal Circuit addressed the scope of a court’s reliance on “preferred embodiments” as part of the intrinsic evidence. In Wang, the plaintiff protested that the court’s definition limited the claim to the preferred embodiment. Id. at 1382. The Federal Circuit replied:

The usage “preferred” does not of itself broaden the claims beyond their support in the specification. The only embodiment described in the [patent] specification is the character-based protocol, and the claims were correctly interpreted as limited thereto.

Id. at 1383 (internal citations omitted); see also General Am. Transp. Corp. v. Cryo-Transp., Inc., 93 F.3d 766, 770 (Fed. Cir. 1996) (“This is not just the preferred embodiment of the invention; it is the only one described.”) (emphasis in original); Modine Mfg. Co. v. United States Int’l Trade Comm’n, 75 F.3d 1545, 1551 (Fed. Cir. 1996) (noting that when the “preferred embodiment” is described as the invention itself, the claims are not entitled to a broader scope than the embodiment).



### **B. Prosecution History**

After examining the claims in light of the specification, a court must review the prosecution history, if it has been entered into evidence.<sup>1</sup> “This history contains the complete record of all the proceedings before the Patent and Trademark Office, including any express representations made by the applicant regarding the scope of the claims.” Vitronics, 90 F.3d at 1582-83 (citing Southwall Tech., Inc. v. Cardinal IG Co., 54 F.3d 1570, 1576 (Fed. Cir. 1995) (“The prosecution history limits the interpretation of the claim terms so as to exclude any interpretation that was disclaimed during prosecution.”)). It is appropriate for the court to consider not only the changes made during prosecution, but also the reason for the changes. See Insta-Foam Prods., Inc. v. Universal Foam Sys., Inc., 906 F.2d 698, 703 (Fed. Cir. 1990) (“[A] close examination must be made as to not only what was surrendered, but also the reason for such a surrender.”) (quotation omitted). “The prosecution history limits the interpretation of claim terms so as to exclude any interpretation that was disclaimed during prosecution.” Southwall Tech., 54 F.3d at 1576 (holding that statements made during the prosecution history may commit the applicant to a particular meaning for a patent term, which meaning is then binding in litigation).

### **C. Extrinsic Evidence**

While a review of the intrinsic evidence will generally resolve any question regarding a disputed term, there are times when further information is needed. In those cases, a court may properly rely on extrinsic evidence in the form of expert opinions, treatises, etc. See Vitronics,

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<sup>1</sup> In this case, the defendants have attached the prosecution history to their motion and therefore, the court will use it in construing the claims.

90 F.3d at 1583. However, “[i]n ... cases where the public record unambiguously describes the scope of the patented invention, reliance on any extrinsic evidence is improper.” Id. In Key Pharmaceuticals v. Hercon Labs. Corp., the Federal Circuit noted that “[t]his court has made strong cautionary statements on the proper use of extrinsic evidence,” and further clarified that “[w]hat is disapproved of is an attempt to use extrinsic evidence to arrive at a claim construction that is clearly at odds with the claim construction mandated by the claims themselves, the written description, and the prosecution history, in other words, with the written record of the patent.” 161 F.3d 709, 716 (Fed. Cir. 1998). The Federal Circuit aptly observed the rationale behind the exclusive reliance on intrinsic evidence in the absence of any ambiguities, stating that:

[t]he claims, specification, and file history, rather than extrinsic evidence, constitute the public record of the patentee’s claim, a record on which the public is entitled to rely. In other words, competitors are entitled to review the public record, apply the established rules of claim construction, ascertain the scope of the patentee’s claimed invention and, thus, design around the claimed invention. Allowing the public record to be altered or changed by extrinsic evidence introduced at trial, such as expert testimony, would make this right meaningless.

Vitronics, 90 F.3d at 1583 (internal citations omitted); see also Southwall Tech., 54 F.3d at 1578 (“A patentee may not proffer an interpretation for the purposes of litigation that would alter the indisputable record consisting of the claims, the specification and the prosecution history, and treat the claims as a ‘nose of wax.’”).

### **III. The ‘051 Patent**

The first patent at issue is the ‘051 patent, which is asserted against defendant eBay only. As an initial matter, the parties do not agree as to which terms of the ‘051 patent are in dispute, and the court was unable to narrow the list of claims and terms disputed. However, because most of the claims use the same terms, the court will only address claims 1, 12 and 23 in this

patent, and highlight the terms which either of the parties believed were in dispute.

**A. Claim 1**

An automated method, performed by a computer-based auction system, for enabling a seller to auction a uniquely identified item via the Internet to one or more potential buyers, the method comprising:

- requiring the seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller; receiving information from the seller including a description of an item offered for auction by the seller;

- creating a data record containing a description of the item based on the information received from the seller, the data record connoting an ownership interest by the seller in the item, the data record being stored in a computerized electronic database maintained by the computer-based auction system;

- generating an identification code to uniquely identify the item;

- scheduling an auction for the item, the auction to be hosted by the computer-based auction system;

- presenting the item for auction to an audience of participants through a worldwide web mapping module executing in conjunction with the computerized database, the worldwide web mapping module translating information from the data record to a hypertext mark up language format for presentation through the Internet;

- receiving bids on the item from participants via the Internet through an auction process that executes in conjunction with the computerized database;

- terminating the auction for the item when the auction process encounters predetermined criteria;

- notifying a winning auction participant that the winning auction participant has entered a high bid in the auction process;

- providing the unique identification code to the winning auction participant to uniquely identify the item; and

- charging a fee to the seller's account based on an amount of the high bid.

'051 patent, col. 20, 1.32 – col. 21, 1.4.

Many of the disputed claims can be found in this claim, and will be addressed in the order they appear.

**1. An automated method, performed by a computer-based auction system**

The parties dispute whether this phrase in the claim's preamble means that all functions

of the computer-based auction system occur automatically by an automated process or whether just the functions that are specified to automatically occur actually do. The plaintiff favors the former definition while the defendant seeks the latter.

“A claim preamble has the import that the claim as a whole suggests for it. If the preamble adds no limitations to those in the body of the claim, the preamble is not itself a claim limitation and is irrelevant to proper construction of the claim.” IMS Tech., Inc. v. Haas Automation, Inc., 206 F.3d 1422, 1434 (Fed. Cir. 2000) (internal quotations omitted); accord Apple Computer, Inc. v. Articulate Sys., Inc., 234 F.3d 14, 22 (Fed. Cir. 2000). In this case, the plaintiff seeks this court to import the phrase “automated method, performed by a computer-based auction system” to require that all steps in claim 1 are performed automatically by an automated process. The defendant disagrees, arguing that some of the steps must occur manually and therefore, the preamble does not import an additional limitation to the claims.

The defendant appears to be correct here. The phrase “automated method, performed by a computer-based auction system” in the preamble does not necessarily mean that all steps of claim 1 take place automatically by an automated method. For example, one step of the claim states that the computer system “receiv[es] bids on the item from participants.” ‘051 patent, col. 20, l. 60. This step must occur manually as participants must enter their bids, and thus cannot occur automatically. Furthermore, various steps of the claim include the term “computer-based auction system.” See, e.g., id. at col 20, ll. 46-47 (“maintained by the computer-based auction system”); id. at col. 20, ll. 50-51 (“the auction to be hosted by the computer-based auction system”). Therefore, this phrase does not “give meaning to a claim” nor does it “properly define the invention,” and thus, it cannot be imported to limit the claim.

This conclusion is further supported by the language of claim 52.<sup>2</sup> The preamble to claim 52 similarly reads “[a]n automated method, performed by a computer-based auction system.” *Id.* at col. 26, ll. 23-24. In some steps of this claim, the limitation “automatically” appears, indicating that the particular step is to occur automatically. *See, e.g., id.* at col. 26, l. 55 (“automatically auctioning the item for auction...”); *id.* at col. 26, l. 61 (“automatically calculating a seller’s commission...”); *id.* at col. 26, l. 63 (“automatically charging the seller...”). Therefore, based on this claim, the term “automated method” in the preamble does not add any further limitation to the claim. The same rationale holds true for claim 1. **Therefore, the term “automated method performed by a computer-based auction system” does not require that all steps of claim 1 are automatically performed via an automated process.**

## **2. Auction**

The plaintiff strenuously argues that there is no need to deviate from the ordinary and accustomed meaning of the term auction; a jury can understand what an auction is without further clarification from the court. The defendant, on the other hand, feels that the term must be construed by the court because the plaintiff limited it through his written disclosure and prosecution history.

As the court must do with all claim constructions, it initially gives the term auction its ordinary and accustomed meaning. The plaintiff argues that this meaning is a process where participants can bid on an item. The court accepts this as the ordinary meaning. Next, the court looks to the specification and the prosecution history to determine if the inventor has exhibited

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<sup>2</sup> The court is aware that each independent claim is to be read without reference to other claims; however, review of this claim provides the court some guidance on the issue.

an intent to deviate from the ordinary meaning. The main contention here is whether the inventor required that an auction must occur over a “trusted network.” The defendant spends considerable time on this point, addressing numerous instances in the specification and prosecution history where the inventor said the benefit of his invention was that it was a trusted network to prevent fraud and create the ability to speculate. For example, the defendant points to the following portions of the specification which it argues serve to limit the claim to one that occurs over a trusted network:

- To establish a low cost means for a used good and/or consignment stores to establish a “trusted” computerized market for used and collectible goods. ‘051 patent, col. 1, ll. 40-42
- [T]o provide a trusted network of consignment nodes that act as brokers to provide a means to electronically present a used good or collectable<sup>3</sup> to an electronic market. Id. at col. 2, ll. 12-14.
- All consignment node users or operators, hereinafter users, are “trusted” licensees or franchisers of the software and hardware necessary to create and operate a consignment node. Id. at col. 2, ll. 35-38.
- And local collector’s may economically participate in the collectable markets by using local access to a convenient consignment node “trusted” bailee, and electronically presenting collectable goods to an electronic market. Id. at col. 3, ll. 4-8.
- [W]hile providing a trusted means to assure potential buyers of the good’s bona fide availability and legal title. Id. at col. 3, ll. 49-50.
- Each consignment node user may be a franchisee of a central franchiser and the franchiser may police the network to give quality control, detect fraud and revoke the franchises or licenses of poor quality consignment node users. Thus, the consignment node is a “trusted” network.... Id. at col. 4, ll. 55-58.

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<sup>3</sup> The inventor uses collectible and collectable interchangeably throughout the patents at issue.

- This frame work of trusted franchisee, high confidence and accurate market database, and the legal finality of the transaction, where the legal transaction/ “cash” clearing function is performed by the market maker computer, e.g., the participant credit card number or other payment means is only revealed and brokered by the market maker computer 800, is a massive step toward building confidence and trust between a small collectable merchant and participant with electronic transactions. Id. at col. 18, ll. 47-56.

As the defendant has pointed out, through these and other examples in the specification, the inventor did not disclose a person-to-person transaction. Everything disclosed in the ‘051 patent revolved around a trusted intermediary to present a good to market, add value to the description of the item, transfer ownership of the item, and extract a commission based on the sales price. The plaintiff cannot now argue that the use of a trusted intermediary is a preferred embodiment. The Federal Circuit has repeatedly held that “when the ‘preferred embodiment’ is described as the invention itself, the claims are not entitled to a broader scope than that embodiment.”

SciMed, 242 F.3d at 1341 (Fed. Cir. 2001) (quoting Wang Labs., 197 F.3d at 1383).

Furthermore, “[w]here the specification makes clear that the invention does not include a particular feature, that feature is deemed to be outside the reach of the claims of the patent, even though the language of the claims, read without reference to the specification, might be considered broad enough to encompass the feature in question.” Id. In this case, the patent teaches away from person-to-person auctions, favoring a system with a trusted intermediary. As such, the plaintiff cannot now argue that the scope of the claims are broader than what is disclosed in the specification. Therefore, when the claims are read in light of the specification, an auction must occur on a trusted network or with a trusted intermediary.

In addition to the trusted network portion of the construction of the term auction, the defendant seeks additional language which reads as follows:

A sale on a trusted network at which items are sold one by one, each going to the last and highest of a series of competing bidders. The auction is not limited to any particular type of auction, such as an English auction, but may include a double auction, reverse auction, Dutch auction, or any other type of auction known to persons of skill at the time.

Defs.’ Opening Brief, Dkt. 159. However, there is nothing in the specification or prosecution history that limits the term auction to this definition. There is nothing that requires that items must be sold one by one; on the contrary, the specification envisions multiple auctions taking place at a time. See ‘051 patent, col. 11, ll. 16-20 (“The consignment node auction process itself may execute in several instances to provide simultaneous auctions on a consignment node. Thus a consignment node may conduct several simultaneous auctions on several virtual runways.”). Additionally, there is no requirement that a sale must occur, as an auction may end with no participant meeting the reserve price. See id. at col. 10, l. 63 - col. 11, l. 6 (“The consignment node auction program then compares the highest bid received with the good’s reserve price 268 to determine whether to transact the sale.... If the highest bid is less than the reserve price the consignment node auction process announces no sale! 272 to the auction participants.”). Finally, adding the limitations regarding English auctions, double auctions, Dutch auctions and reverse auctions will serve no purpose but to confuse the jury. Such a description is not required in the construction of the term auction and is not supported by the claim or the specification.

**Therefore, the term auction is construed as a process over a trusted network, or with a trusted intermediary, where participants can bid on an item.<sup>4</sup>**

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<sup>4</sup> This construction is also applicable to the term “electronic auction” in the ‘176 patent, with the only difference being the electronic auction must occur electronically, such as over a computer.



**3. Item**

As the parties initially argued the construction of this term with respect to the '176 patent, the court will address it in section IV.A.2 below.

**4. Seller's account / Requiring a seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller.**

The next term the parties dispute is the term seller's account. Contained within this dispute are actually two separate disputes: first, the construction of the claim seller's account and second, whether a seller's account must be established with the seller's identity and a financial instrument.

**a. Seller's account**

The plaintiff argues that the term seller's account does not need to be construed and should be given its ordinary and accustomed meaning. In the alternative, the plaintiffs seeks the term to be defined as a list of monetary transactions. The defendant disagrees, arguing that based on the specification and prosecution history of this patent, the term seller's account must be defined as an account for receiving, holding, and disbursing funds.

The defendant points to the prosecution history of the '051 patent, specifically a July 28, 2000 Amendment submitted by the inventor, in order to show that a seller's account must be more than just a list of monetary transactions. See Defs.' Opening Brief, Dkt. 159, Ex. F. In this Amendment, the inventor added the "seller's account" limitation to all independent claims of the '051 patent in order to circumvent certain prior art. Id. at p. ME0032389. This seller's account, the inventor stated, would be charged a fee based on an amount of a winning bid. Id. at p. ME0032390. This court has been unable to locate anything in the prosecution history which

requires this seller's account to receive, hold, or disburse funds. An account, such as one at a local department store, merely keeps track of how much money has been charged, and how much has been paid. When an individual purchases an item, it can be charged to the account. When the person makes a payment on this item, the amount is reduced. This account does not receive, hold, or disburse funds, but rather is a list of the monetary transactions conducted by the individual who owns the account. The same is true with the term seller's account in the '051 patent. **Therefore, this court finds that a seller's account is list of monetary transactions associated with the seller.**

**b. Requiring a seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller**

The dispute over this term revolves around whether the seller's account that must be established by the seller, is required to be based on the seller's identity and a financial instrument associated with the seller. The plaintiff relies on the placement of the comma in this phrase, arguing that it offsets the requiring portion of the clause from the remainder of the claim limitation. However, this court agrees with the defendant, who states that based on the language of this claim itself, the seller's account must be based on at least the seller's identity and a financial instrument. Regardless of the placement of the comma, the concept of this limitation is clear. The seller must establish an account and that account must have certain features based on the seller's identity. This is supported by the prosecution history surrounding seller's accounts in the '051 patent. As stated above, the inventor added the term "seller's account" to the '051 patent claims in a July 28, 2000 Amendment in order to circumvent prior art. In distinguishing this seller's account from the prior art, the inventor stated that "requiring a seller to establish a

seller's account helps ensure the validity and identity of the sellers using the auction system. Further, establishing a seller's account that can be charged a fee based on an amount of a high bid (e.g., a seller's commission) helps protect the financial interest of the entity controlling the auction system." Defs.' Opening Brief, Dkt. 159, Ex. F, p. ME0032391. **Therefore, this court finds that a seller's account must be established based at least on the seller's identity and a financial instrument associated with the seller.**

**5. The data record connoting an ownership interest**

Again, this limitation actually has two separately disputed terms – data record and connoting an ownership interest. As such, the court will address them separately

**a. Data record**

The plaintiff states that this term can be given its ordinary and accustomed meaning; alternatively, it seeks the term data record to be defined as "a collection of information stored on a computer storage medium which will contain a description of the item or good being offered for sale through the computer-based auction system." The defendant, on the other hand, argues that the ordinary and accustomed meaning of the term is "a record that contains data fields for maintaining information about a good or item."

The ordinary and accustomed meaning of this term does not include much of the language suggested by the plaintiff, such as "stored on a computer storage medium" and "offered for sale through the computer-based auction system." Rather, it appears that the plaintiff is attempting to add further limitations to this term which do not exist in its ordinary and accustomed meaning. Furthermore, the specification does not support the addition of these limitations to this term. **Therefore, the court will adopt the defendant's suggested definition and construe the term**

data record to mean a record that contains data fields for maintaining information about a good or item.

**b. Connoting an ownership interest**

The dispute here is whether the word “connoting” means suggesting or evidencing. The plaintiff argues that the court should construe this phrase to mean that the data record suggests the ownership interest by the seller in the item. The defendant maintains that this phrase means that the data record evidences the fact that the seller owns all or part of the item to be auctioned. For this dispute, the court first notes that the ordinary and accustomed meaning of the word “connote” is “to be associated with or inseparable from as a consequence or concomitant” Merriam-Webster’s Collegiate Dictionary 245 (10th ed. 1997).<sup>5</sup> In support of its position that the term means to suggest an ownership interest, the plaintiff points to a portion of the specification which states that “[i]t is understood ... that the consignment node user is the legal and equitable owner of the [good].” ‘051 patent, col. 4, ll. 17-20. The court is at a loss as to how this portion of the specification supports connoting to mean suggesting. It appears that this portion, along with numerous others cited by the defendant,<sup>6</sup> support a stronger construction than mere

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<sup>5</sup> Throughout the hearing and the briefs submitted by the plaintiff, the plaintiff objected to the defendants’ use of a 1984 dictionary to determine the ordinary and accustomed meaning of the terms, arguing that it was out-dated. In order to resolve this issue, the court is using a 1997 dictionary as a reference.

<sup>6</sup> See, e.g., ‘051 patent, col. 5, ll. 41-48 (“If the participant elects to take delivery of the purchased goods then the consignment node may track the delivery and ownership of this good to this particular participant in a data record.”); *id.* at col. 12, ll. 55-57 (“The consignment node then transfers legal ownership 408 of the good by changing the ownership entry in the data record in the consignment node of the good.”); *id.* at col. 12, ll. 62-65 (“It is understood that the data record representing the good is ‘locked’ during the transfer ownership sub-routine to prevent collisions of actions and transfers of the good.”).

suggesting; these cites support a construction in line with the defendant's proposed definition.

**Therefore, the court construes that term connoting an ownership interest to mean evidencing the fact that the seller owns all or part of the item being auctioned.**

**6. Generating an identification code to uniquely identify the item**

The dispute here is over whether a uniquely identified item must be distinguishable from another item or all other items. Again, the plaintiff seeks the ordinary and accustomed meaning of this term to apply, and the court agrees. According to the dictionary, something is unique when it is the "only one, sole." Merriam-Webster's Collegiate Dictionary 1292 (10th ed. 1997). As this court is unable to find any language in the claim, specification, or prosecution history which indicates the inventor's intent to deviate from the ordinary meaning of the term, the court will apply the ordinary meaning. **Therefore, generating an identification code to uniquely identify the item means that the identification code will uniquely identify the item from all other items.**

**7. Scheduling an auction for the item**

The plaintiff argues that this term should be given its ordinary and accustomed meaning; however, the plaintiff contends that based on the preamble of the claim, the auction is scheduled automatically. The defendant, on the other hand, states that an auction facilitator and/or the system places the auction in a schedule of auctions to be conducted. This dispute relates back to whether the "automated computer-based auction system" from the preamble means that every limitation must be automated. As stated above, this is not the case. However, the remainder of this limitation states that "the auction to be hosted by the computer-based auction system." When read in its entirety, it appears that the auction is scheduled by the computer-based system which hosts the auction. There is nothing in the intrinsic evidence to show that the inventor

deviated from this ordinary meaning and intended for an auction facilitator to schedule the auction. **Therefore, the court will apply the ordinary and accustomed meaning to the term, specifically that an auction for the item will be scheduled and hosted by the computer-based auction system.**

**8. Presenting the item for auction**

The next term to be construed is “presenting the item for auction.” The plaintiff seeks the ordinary and accustomed meaning of the term to apply; alternatively, that the term should mean to introduce the item or to offer it for view to the public through the computer-based auction system. The defendant seeks the following construction: to present a description of the item or to offer such description for the item to be auctioned. The dispute centers around whether the item itself is offered or introduced to the public, or whether a description of the item is offered or introduced. This court will not spend considerable time on this issue of semantics. The patent makes clear that along with descriptions of the item to be offered, digital images and subjective opinions about the item are also presented. See ‘051 patent, col. 6, ll. 26-28 (“The consignment node takes the first item to be auctioned and posts the image of the good and the good’s text record to the participants.”); id. at col. 4, ll. 37-42 (“[T]he consignment node user may again ‘add value’ to his consignment node by entering subjective criteria in the database entry for authenticity, condition, special attributes and the like. The participant ... may now electronically present his [good]...”). The court sees no reason to confuse the issue by adding its own construction to this term. **Therefore, the court will read this claim to the jury as it appears, noting that both a written description and an image of the item is presented.**

**9. Worldwide web mapping module translating information from the data record to a hypertext mark up language format for presentation through the Internet**

The next term comes from the same limitation as the previous term. The plaintiff seeks “worldwide web mapping module” to be construed as “software operating on the computer-based auction system to translate or convert information in the data record from a format in which the information is maintained in the database into hypertext mark up language for presentation through the World Wide Web portion of the Internet. Hypertext mark up language is the software language used by web browsers to present web pages.” The defendant argues that this phrase should be construed as “software that executes in combination with the database to translate information from the data record to HTML.”

The defendant argues that the plaintiff has added a number of limitations to the claim which are not in the claim itself, nor are they disclosed in the specification. The plaintiff states that such language is fully supported by the specification which states “[t]he market maker computer 800 may have ... database server 806, a www page server 810.... A www to database mapping 808 module is commercially available from Expertelligence, Inc.... Such a mapping module may map a ODBC database such as Microsoft Access to a www page.” ‘051 patent, col. 19, ll. 6-15.

This court finds that while the plaintiff has imported some additional limitations into the claim, the defendant has left some out. In reading the claim language itself, the court believes that it is relatively self-explanatory and that the construction offered by the parties do nothing but further confuse the term. **Thus, the term will be read as is to the jury; the only addition the court will make is that hypertext mark up language is software language used by web browsers to present web pages.**

**10. Receiving bids on the item**

The dispute over this term again revolves around whether the receiving of bids must occur automatically based on the preamble, or whether an auction facilitator is required. In addition, the defendant argues that the auction facilitator and/or system only accepts a bid that is higher than the previously accepted bid. As with the last term that dealt with this issue, the court will look to the entire limitation as a whole. This limitation reads as follows: “receiving bids on the item from participants via the Internet through an auction process that executes in conjunction with the computerized database.” Id. at col. 20, ll. 60-62.

First, with respect to the automatic versus auction facilitator argument, as the court stated above, the preamble to the claim is not to be imported to each additional limitation contained therein. However, as further stated above, the remainder of the claim language suggests to the court that the receiving of bids takes place over the computer-based auction system. There is no mention of an auction facilitator to receive the bids. Therefore, the court will construe the term “receiving bids” as the act of receiving bids (or offers to buy) for a particular item being auctioned from participants over the computer-based auction system.

As for the second limitation suggested by the defendant, that each bid must be higher than the next, the court finds that the defendant has misconstrued the term. First, this court notes that the only type of auction envisioned by the inventor was one where the higher bids are accepted. See, e.g., id. at col. 6, ll. 31-42 (“The participants may then respond with a higher bid. The consignment node mode scans electronically the participants for bids and accepts the highest bid. If bids are tied the consignment node may take the first highest bid by the participants log on order.... The consignment node then posts the higher bid to all the electronic auction participants. The consignment node repeats this process until no higher bid is received for a



predetermined amount of time and closes the auctioning of that particular good.”); *id.* at col. 10, ll. 56-52 (“The consignment node auction mode then scans the participants for a higher bids [sic] 262. If a higher bid is found the new bid is posted 264. It is understood that the steps of checking for bids 260 determines if the bid is higher 262 and posting the new higher bid 264 is repeated until no higher bids are received.”). However, despite this limitation, there is nothing in the claim, specification, or prosecution history which requires that the bids that are received must be higher - only those that are accepted must be higher. Therefore, the court finds that this limitation should not be added to the construction of the term “receiving bids on the item.”

**In sum, the term, receiving bids on the item, shall be construed as the act of receiving bids (or offers to buy) for a particular item being auctioned from participants over the computer-based auction system.**

**11. Terminating the auction for the item when the auction process encounters predetermined criteria**

The dispute over this term arises from the phrase “predetermined criteria.” The plaintiff argues that the claim language suggests that the criteria must be determined prior to the termination of the auction. The defendant, on the other hand, states that this criteria must be determined before the commencement of the auction.

The court begins with the ordinary and accustomed meaning of the term predetermined, which means to determine beforehand. Merriam-Webster’s Collegiate Dictionary 917 (10th ed. 1997). There is nothing in the claim language which supports the defendant’s position that the inventor intended to deviate from this ordinary language. On the contrary, by combining this language with the remainder of the limitation, it appears that the inventor has indicated his intention that the criteria is determined before the termination of the auction for the item.

Furthermore, of the two cited references to the intrinsic evidence supplied by the defendant, only one of them relates to this term. See '051 patent, col. 6, ll. 39-42 ("The consignment node repeats this process until no higher bid is received for a predetermined amount of time and closes the auctioning of that particular good."). However, this passage from the specification does not show that the inventor intended to deviate from the language used in the claim. **Therefore, this court finds that the predetermined criteria is determined prior to the termination of the auction.**

**12. Notifying a winning auction participant**

The defendant contests the plaintiff's suggested construction of this term because, once again, the plaintiff suggests that this occur automatically based on the preamble. As discussed above, the "automated method, performed by a computer-based auction system" language of the preamble is not imported to the limitations of the claim. Furthermore, there is nothing in the full limitation itself that suggests that it is to be done automatically. Finally, this construction is further supported by the language in claim 51 which states that the "computer-implemented method ... automatically notif[ies] a winning bidder...." '051 patent, col. 25, l. 56 - col. 26, l. 17. **Therefore, the term, notifying a winning auction participant, will simply be read to the jury, as is, without additional language indicating the means of the notification.**

**13. Charging/Debiting<sup>7</sup> a fee<sup>8</sup> to the seller's account based on an amount of the high bid**

Before this court construes this claim term, the court notes that this term is the focus of

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<sup>7</sup> Although the limitation in claim 1 only speaks to charging a seller's account, many other claims refer to charging or debiting the seller's account. As the issues involved here are the same for charging and/or debiting a seller's account, the court will discuss them together.

<sup>8</sup> See section B.1 below for discussion on the term "fee."

the defendant's Motion for Summary Judgment that all claims of the '051 patent are invalid for an inadequate written description. In construing this term, the court states that it is not ruling one way or the other on whether the term has an adequate written description. The court is merely following the legal steps required for claims construction in order to determine the meaning of this limitation. See, e.g., Vitronics, 90 F.3d at 1582 (holding that the first step in a literal patent infringement case is claim construction); Markman, 52 F.3d at 976 (same).

The dispute here involves whether a fee is charged to a seller's account or whether the system extracts the fee from the seller's account. The plaintiff argues that the ordinary and accustomed meaning of the term charge is to "record as a debt against a person's name or account" to charge a purchase." Pl.'s Reply Br., Dkt. 169, Ex. 35 (quoting Webster's New World Dictionary 239 (2d. College Ed. 1986)). The defendant, in turn, argues that there is no support for charging a fee to the seller's account, but rather the specification discloses the system extracting the fee from the seller's account. See, e.g., '051 patent, col. 12, ll. 52-55 ("After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee.").

However, this court finds that the inventor did not stray from the ordinary and accustomed meaning of the claim term. One of ordinary skill in the art would not have believed charging or debiting a fee to a seller's account would mean to extract a fee from that account. **Therefore, the court finds that the ordinary and accustomed meaning of the claim term, to record a debt (or charge) against a person's name or account, shall be applied.**

**B. Claims 12 and 23**

The language of claim 12 reads as follows:

A computer-implemented method of facilitating Internet-based auctions, the method

comprising:

requiring a seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller;  
initiating an Internet-based auction for an item offered by the seller; and  
debiting the seller's account for a fee amount corresponding to a result of the auction.

'051 patent, col. 23, ll. 12-21.

Claim 23 states

The method of claim 12 wherein debiting the seller's account comprises:  
automatically calculating the fee amount based on a result of the auction; and  
automatically charging the calculated fee amount to the seller's financial instrument associated with the seller's account.

Id. at col 23, l. 64 - col. 24, l. 3.

The terms from these claims that the parties contest are "automatically calculating the fee amount based on a result of the auction," "automatically charging the calculated fee amount to the seller's financial instrument associated with the seller's account," and "fee amount."<sup>9</sup> With respect to the first two disputed terms, this goes back to the dispute over when steps occur manually and when they occur automatically, as compared to the limitations in claim 1 for example. The court has already determined above that the computer-implemented method does not require that all limitations contained within that claim must occur automatically. However, in the case of this claim, the word "automatically" appears in each of the limitations. **Therefore, the court finds that both of the limitations in claim 23 occur automatically.** The defendant appears to agree with this conclusion, as is indicated in the chart attached as an appendix to their brief, where it states that "[i]n claims 23, 51 and 52, the fee is automatically calculated." Defs.' Rebuttal Br., Dkt. 162, App. p. 18. (emphasis in original). Based on this conclusion, the court

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<sup>9</sup> Fee amount is also used in claims 24, 25, 26, and 27.

does not believe that further construction of these terms is warranted.

With respect to the third disputed term, fee amount, the defendant argues that it is a seller's commission which is based on a percentage of the high bid from the auction. The defendant points to a number of areas in the specification where the inventor stated that the fee was a certain percentage of the sales price. See, e.g., '051 patent, col. 4, ll. 30-34 ("The resident informs the user of the reserve or offer price and signs or agrees to a consignment contract with the consignment node user to accept the consignment terms to pay the consignment node user on the sale of the card, for example 6%, of the sales price as a consignment fee."); id. at col. 5, ll. 37-41 ("For each transaction, the consignment node user extracts the small consignment fee, e.g., 6% of the sales price, thus the consignment node user directly benefits from operating a reputable consignment node."). As with most of the claims, the plaintiff seeks the court to apply the ordinary and accustomed meaning to this term.

While these excerpts do indicate one embodiment of the fee, this language is not sufficient to deviate from the ordinary meaning of the claim limitation. The claim states that the fee amount is based on a result of the auction. There is no indication that this fee must be a percentage, rather than a flat fee of some sort. Furthermore, based on the doctrine of claim differentiation, the fee amount cannot be limited in claim 23 to a percentage fee because claim 25 states that "the fee amount is based on a percentage of the final sales price of the item." Id. at col. 24, ll. 6-7. This doctrine states that "[t]here is presumed to be a difference in meaning and scope when different words or phrases are used in separate claims. To the extent that the absence of such difference in meaning and scope would make a claim superfluous, the doctrine of claim differentiation states the presumption that the difference between claims is significant." The Toro Co. v. White Consol. Indus., 199 F.3d 1295, 1302 (Fed. Cir. 1999) (quoting Tandon Corp.

v. United States Int'l Trade Comm'n, 831 F.2d 1017, 1023 (Fed. Cir. 1987)). However, the court is aware that “the doctrine of claim differentiation does not serve to broaden the claims beyond their meaning in light of the specification, and does not override clear statements of scope in the specification and the prosecution history.” Id. (internal citations omitted). Based on the intrinsic evidence before the court, it does not appear that the application of claim differentiation here would broaden the claim.

Additionally, the defendant’s argument that the fee amount must be a seller’s commission is similarly incorrect. Claim 26 states that “the fee amount represents a seller’s commission....” Id. at col. 24, ll. 8-9. For the same reasons discussed above, the court will not import an additional limitation into the term fee amount. Therefore, a fee amount does not have to be a seller’s commission.

**In sum, the court finds that a fee amount can be any fee which is based on the result of the auction, and not necessarily a percentage fee or a seller’s commission.**

#### **IV. The ‘176 Patent**

The second patent at issue in this case is the ‘176 patent, which is asserted against defendant Half.com only. While there initially were a number of claims in dispute, it appears that only a handful are left after full briefing for the Markman hearing. As such, only terms in claims 1, and a general question regarding sequence of steps in claims 1, 7, 29, and 39, will be addressed by the court.

##### **A. Claim 1**

Claim 1 reads as follows:

A method of searching a plurality of electronic markets to locate an item, the method comprising:  
receiving a search request for an item from an internet participant at a first computer;

formatting said search request at said first computer into a predetermined format; transmitting said search request, using a software search agent, from said first computer to a plurality of other computers in said predetermined format, at least one of the plurality of other computers performing a search for the item in response to receiving said search request; and receiving at the first computer search results from at least one of the plurality of other computers in response to the transmitted search request.

'176 patent, col. 20, ll. 33-48.

**1. Electronic market**

The first term in this patent that is heavily disputed by the parties is “electronic market.” The plaintiff states that the court should give the term its ordinary and accustomed meaning, “a computer-based system where goods may be bought and sold online.” The defendant argues that while this may be the ordinary meaning of the term, the inventor has deviated from this ordinary meaning as is evidenced by the specification. As a result, the defendant contends that the construction of this term should be “a trusted network on which items may be bought, sold, and searched for.” The plaintiff disputes two aspects of the defendant’s proposed construction: first, is the imposition of the “trusted network” limitation, and second is the suggestion that searches for items can occur on the electronic market. The plaintiff maintains that the electronic market must be able to complete the participant’s transaction (i.e., purchase or sale).

As with all claims constructions, the court begins by giving the term “electronic market” its ordinary and accustomed meaning, which the court finds is a computer-based system where people can buy or sell goods online. In order to address the two issues raised by the parties, the court looks to the specification and prosecution history.

The court has previously determined the first issue, whether the electronic market must be a trusted network. The specification for the '176 patent is the same as that for the '051 patent. The inventor’s intention to create a network of trusted consignment nodes is clear from the

specification. The inventor cannot later claim away from what he has disclosed in order to broaden his invention. Therefore, as stated in section III.A.2 above, the court finds that the electronic market must be a trusted network.

As to the second issue, the court does not find support in the intrinsic evidence to require that the electronic market complete a transaction. In fact, the specification teaches away from this requirement. The specification envisions a number of modes in which the invention can occur, not all of which require a completed transaction. For example, in the Agent mode, a participant may search the database for past transactions. See '176 patent, col. 7, ll. 37-42 ("An Agent may also search the consignment node database of past transactions to identify the owner of a particular good. The Agent may then report that the John Doe of Main Street, U.S.A. was the last known purchaser of a 1872 U.S. penny from the Denver Mint at this node."). Another example is in the Auction mode where participants are able to merely browse goods for sale. See id. at col. 6, ll. 11-14 ("Moreover, a good that is identified as awaiting an auction date may be viewed before auction in the consignment node browse mode by a perspective auction participant."). Furthermore, the specification discusses the ability of a buyer and seller to speculate on an item, without actually completing a sale. See id. at col. 1, ll. 65-67 ("To establish a market for goods with a dominant electronic 'market maker' node to allow collectors to speculate on the collectable goods market."). In all of these instances, a transaction is not completed. Therefore, based on the inventor's intent to provide participants with a number of options, he has created an expanded definition of the term electronic market. As such, the plaintiff cannot now claim that the term has a more limited definition. Thus, based on the inventor's clear intent to allow users to buy, sell, search and browse for items in the electronic market, the court finds that the completion of a transaction between buyer and seller is not



required.

**In sum, electronic market is construed as a trusted network or system where participants can buy, sell, search or browse goods online.**

## **2. Item**

The next term that the parties dispute is item. The plaintiff has argued that the term item means good for sale. The defendant, however, states that the ordinary meaning of the term item is single article or unit in a collection or a set of adjacent digits, bits, or characters which is treated as a unit and conveys a single unit of information. See American Heritage College Dictionary 722 (3d ed. 1993) and McGraw-Hill Dictionary of Scientific and Technical Terms (5th ed. 1994). The defendant argues that the plaintiff did not limit the term item to a good for sale anywhere in the claims, specification, or prosecution history, and therefore, the ordinary meaning of the term must be used. The plaintiff objects, arguing that it is clear from the specification that item is some sort of good that is available for purchase.

While there is no explicit language which defines an item as a good for sale, the terms item and good are used interchangeably in the specification. See, e.g., '176 patent, col. 1, ll. 23-25 ("Certain items and used goods have a large following of collectors."); id. at col. 2, ll. 9-10 ("used good or collectible item..."); id. at col. 2, ll. 38-44 ("Thus, the network provides a trusted means for consignment node users, e.g. shop keepers, to establish electronic markets for collectable goods, establish electronic auctions, establish a means for searching each others shops to locate hard to find collectibles [sic] items, and a means to electronically present goods to a market."). The defendant, however, contends that there is also language in the specification indicating that an item can also be an option, future, or derivative. See id. at col. 20, ll. 19-25 ("It is also within the scope to the present invention to create the liquidity, volume and availability

analysis to allow the creation of a secondary and derivative market for option and futures contracts and other speculative constructs to be created with the underlying assets as collectable goods in the electronic market place of the present invention.”). However, it does not appear that the inventor intended option or futures contracts to be items or goods for sale - rather it appears that this would be an underlying aspect of the main purpose of the invention. Therefore, this court finds that it is clear from the language of the specification, as well as the claims themselves, that the item to be searched for is a good.

This conclusion is not upset by the language in claim 41, which reads in its entirety, “The method of claim 29 wherein the item being searched for comprises goods, services, collectables, or a combination thereof.” *Id.* at col. 23, ll. 44-46. The doctrine of claim differentiation does not render this court’s construction of item as a good improper, as the doctrine cannot “serve to broaden the claims beyond their meaning in light of the specification.” *Toro*, 199 F.3d at 1302. In this case, claim 41 adds further limitations to what is claimed, specifically that an item can also be a service or collectible, in addition to a good. Therefore, the court concludes that item is a good.

The next question is whether item must be a good for sale. As discussed above, there are many instances in the specification which allow for participants to search, browse, and speculate on items which are not necessarily for sale. **Therefore, the term item simply means a good.**

**B. Sequence of Steps in Claims 1, 7, 29, and 39**

The parties disagree over whether the method claims of claims 1, 7, 29, and 39 require the steps to be performed in the sequence recited by the order of the limitations. The defendant argues that based on the ordinary meaning of the claim language, the steps must occur in the sequence listed. The plaintiff balks at this idea, arguing that the Federal Circuit has repeatedly

held that “[u]nless the steps of a method actually recite an order, the steps are not ordinarily construed to require one.” Interactive Gift Express, Inc. v. Compuserve Inc., 256 F.3d 1323, 1342 (Fed. Cir. 2001); see also Deputy Orthopaedics, Inc. v. Androphy, 53 U.S.P.Q.2d 1941, 2000 WL 297814, \*17 (N.D. Ill. Jan. 19, 2001) (citing Bio-Rad Labs., Inc. v. Nicolet Instrument Corp., 739 F.2d 604, 614 (Fed. Cir. 1984) (“The general rule is that unless the literal language or the physical constraints of the process claim dictate otherwise, the steps of the claim have no required order of performance.”)). While the plaintiff is correct in its interpretation of Federal Circuit law, it is incorrect in its application to two claims at issue. Based on the language of claim 1, it appears that there is a specific order dictated by the claim. For example, each of the limitations contain the word “said” prior to a word used in the previous limitation, indicating that it must occur after the previous limitation. It is nonsensical to read the claim any other way. Claim 7, also has language which even more explicitly details the specified order.<sup>10</sup> **Therefore, the limitations of claims 1 and 7 are to be performed in the order listed.**

As for claims 29 and 39, the language is not as clear as to dictate an order. These claims read as follows:

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<sup>10</sup> Claim 7 reads in its entirety:

A method for searching a plurality of electronic markets for an item, the method comprising:  
receiving an inquiry at a first electronic market;  
instructing a software search agent at the first electronic market to generate a search request in response to the received inquiry;  
transmitting said search request from said first electronic market to a plurality of other electronic markets; and  
receiving from one or more of the other electronic markets a search result in response to the transmitted search request.

<sup>176</sup> patent, col. 21, ll. 4-15.

29. A computer-implemented method of searching for an item in a plurality of electronic markets interconnected by a computer network, each electronic market having an associated data repository, the method comprising:  
receiving input identifying an item; and  
instructing a software search agent to search for the item on the computer network in the respective data repositories of one or more of the electronic markets.

'176 patent, col. 22, ll. 60-67.

39. The method of claim 37 further comprising:  
receiving search results from one or more electronic markets that was searched by the software search agent; and  
displaying the search results to the human user on the first computer.

Id. at col. 23, ll. 35-40.

Neither of these claims appears to dictate an order in a way similar to claims 1 and 7. While the defendant argues that the specific choice of the words “an item” and “the item” in claim 29 indicates that the first step must occur before the second step, this is insufficient to meet the Federal Circuit’s holdings that the “steps of a method actually recite an order.” Interactive Gift Express, 256 F.3d at 1342. Therefore, the court determines that while claims 1 and 7 do recite an order of steps to be performed, claims 29 and 39 do not.

## **V. The ‘265 Patent**

The third patent at issue, the ‘265 patent, is alleged to be infringed by all three defendants. There are a number of terms in dispute in this patent, including a number of means-plus-function claims. In order to easily address these claims, the court first details the method of claims construction of means-plus-function claims. The court will then move on to the claims that contain disputed terms, which in this case includes claims 1, 2, 8, 15, 23, 26, and 27.

### **A. Means-Plus-Function Claims**

Section 112, paragraph 6 of Title 35 provides that

[a]n element in a claim for a combination may be expressed as a means or step in

performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

35 U.S.C. § 112, ¶6. In other words, this section “operates to restrict claim limitations drafted in such functional language to those structures, materials, or acts disclosed in the specification (and their equivalents) that perform the claimed function.” Personalized Media Communications, LLC v. International Trade Comm’n, 161 F.3d 696, 703 (Fed. Cir. 1998). There are two steps that a court must undertake in construing a means-plus-function claim.

The first step is to determine whether the element falls under section 112, paragraph 6. The Federal Circuit has held that the use of the word “means” creates a presumption that this section applies. See id. This presumption can be rebutted by the intrinsic or extrinsic evidence; however, “the focus remains on whether the claim as properly construed recites sufficiently definite structure to avoid the ambit of § 112, ¶ 6.” Id. at 704.

If the court determines that a claim contains a means-plus-function element, the second step requires the court to consult the specification in order to construe the breadth of the claim. See IMS Tech., 206 F.3d at 1429-30. The court may not broaden the means-plus-function element to any means for performing a function, nor may it limit the element by adopting a function different from that explicitly recited in the claim. See Micro Chemical, Inc. v. Great Plains Chem. Co., 194 F.3d 1250, 1258 (Fed. Cir. 1999); Laitram Corp. v. Rexnord, Inc., 939 F.2d 1533, 1536 (Fed. Cir. 1991).

#### **B. Claim 1**

Claim 1 provides for

A system for presenting a data record of a good for sale to a market for goods, said market for goods having an interface to a wide area communication network for presenting and offering goods for sale to a purchaser, a payment clearing means for

processing a purchase request from said purchaser, a database means for storing and tracking said data record of said good for sale, a communications means for communicating with said system to accept said data record of said good and a payment means for transferring funds to a user of said system, said system comprising;

- a digital image means for creating a digital image of a good for sale;
- a user interface for receiving textual information from a user;
- a bar code scanner;
- a bar code printer;
- a storage device;
- a communications means for communicating with the market; and
- a computer locally connected to said digital image means, said user interface, said bar code scanner, said bar code printer; said storage device and said communications means, said computer adapted to receive said digital image means of said good for sale from said digital image means, generate a data record of said good for sale, incorporate said digital image of said good for sale into said data record, receive a textual description of said good for sale from said user interface, store said data record on said storage device, transfer said data record to the market for goods via said communications means and receive a tracking number for said good for sale from the market for goods via said communication means, store said tracking number from the market for goods in said data record on said storage device and printing a bar code from said tracking number on said bar code printer.

'265 patent, col. 20, ll. 23-59.

# 1. Market for goods<sup>11</sup>

The plaintiff asks this court to apply the ordinary and accustomed meaning to this term and simply read it to the jury. Alternatively, the plaintiff suggests that the term should be defined as a place where items or goods may be bought and sold (e.g., here, through a wide area communication network such as the internet). The defendants object to this proposed construction and suggest the following instead: a trusted network where movable personal property is bought and sold. The main dispute between the parties involves the trusted network argument which the court has addressed in the other two patents at issue in this case.<sup>12</sup> As the

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<sup>11</sup> The defendants group this term with the term "market apparatus" from claim 8.

<sup>12</sup> The specification for the '265 patent is essentially the same as that for the '051 and '176 patents, as all three patents arose from the same original application.

court has held, the inventor envisioned a trusted network to avoid the problems of early Internet transactions. The trusted aspect of his invention was not merely a preferred embodiment, as the plaintiff argues, it was the focus of his invention. As the Federal Circuit has held, “when the ‘preferred embodiment’ is described as the invention itself, the claims are not entitled to a broader scope than that embodiment.” SciMed Life Sys., 242 F.3d at 1341 (quoting Wang Labs., 197 F.3d at 1383). Therefore, for the reasons stated above, the court finds that the market for goods is a trusted network where items or goods may be bought and sold.

**2. Payment clearing means for processing a purchase request from said purchase**

The plaintiff seeks to define this term as a computer system that accepts electronic payment information from a participant, such as a credit card number, e-money or a debit account number and clears the payment by charging the credit card number, e-money or debit account number via an interface to an external clearing network or debits the payment account amount from an account that is accessible by the system, and any structural equivalents thereof. The defendants, on the other hand, seek the following definition:

This limitation covers the following disclosed structures, and equivalents thereof, for processing a purchase request from the purchaser: a general purpose computer programmed to perform steps 268, 270 of Fig. 4, or a general purpose computer programmed to perform steps 402-408 of Fig. 7, or a transaction processor 812, as in Fig. 12, or a computer with a clear accounts module 825 as in Fig. 12. Such processing must be capable of receiving a purchase request and payment from a participant, clearing the purchase request and payment, and if the payment clears, then transferring the ownership of the good for sale by modifying the data record of the good to reflect the new ownership of the good.

Defs.’ Opening Br., Dkt. 159.

As this is a means-plus-function element, the court must first look to whether this falls under section 112 paragraph 6. Because the word “means” is present, there is a rebuttable

presumption that this falls within the statute. The defendants have not offered any evidence to rebut this presumption and the court finds that the claim does not “recite[ ] structure sufficient to perform the recited function.” Micro Chemical, 194 F.3d at 1257. Therefore, the court will construe it as a means-plus-function claim.

The second step is to look to the specification to determine the breadth of the claim. Here, the plaintiff has offered a number of citations to the specification to support their definition. See, e.g., ‘265 patent, col. 5, ll. 3-18 (“The participant ... may decide to purchase the [item]. The participant may present electronic payment to the consignment node by entering a credit card number and expiration date or other forms of electronic payment. ... The consignment node may, for example, clear the transaction by charging the participant’s charge card account ... by well-known credit card clearing techniques.”); id. at col. 12, ll. 37-42 (“The clear charge 404 step is used to clear the participant consignment node transaction. It is understood that this may be via an external credit card clearing network, a connection to a credit account, or through one of the many proposed electronic funds transfer schemes such as debit cards, e-money and clearinghouses.”); id. at Figs. 7, 9, and 12.

The main issue between the parties with respect to this claim term is whether or not the limitation must also transfer ownership of the good. The defendants cite to a number of instances in the specification where payment is made and transfer of ownership occurs. However, the court notes that in claims 8 and 15, for example, the inventor discloses separate steps of clearing payment and then transferring ownership, while in claim 1, only clearing payment is discussed. From this it appears to the court that when the inventor chose to transfer ownership as a step in the claim, he explicitly included that step. Claim 1 lacks that step. Paragraph 6 of section 112 “does not permit limitation of a means-plus-function claim by



adopting a function different from that explicitly recited in the claim. Nor does the statute permit incorporation of structure from the written description beyond that necessary to perform the claimed function.” Micro Chemical, 194 F.3d at 1258. In this case, the inventor claimed a “payment clearing means for processing a purchase request from said purchase.” The inventor did not include transferring ownership in this claim, and thus, the court cannot incorporate that function into the claim. Therefore, the court will adopt the plaintiff’s proposed definition for this term, which is a computer system that accepts electronic payment information from a participant, such as a credit card number, e-money or a debit account number and clears the payment by charging the credit card number, e-money or debit account number via an interface to an external clearing network or debits the payment account amount from an account that is accessible by the system, and any structural equivalents thereof.

**3. Database means for storing and tracking said data record of said good for sale**

While this term is not in dispute, the plaintiff urges this court to construe it because it is a means-plus-function claim. The parties agree that the function to be performed is storing and tracking a data record of a good for sale, and that the corresponding structures include a database, a relational database, a plurality of databases, and any structural equivalents thereof. As such, the court will apply this construction to this claim term.

**4. Communication means for communicating with said system to accept said data record of said good**

As with the last term, the defendants no longer dispute the construction of this term. As such, the construction agreed to by the parties, for which this court finds sufficient support, is a network card operating with networking software, a modem operating with networking software, and any structural equivalents thereof for communicating with the system to accept a data record

of a good.

**5. Payment means for transferring funds to a user of said system**

Similarly, there is no longer a dispute over this term. Therefore, the court adopts the plaintiff's proposed definition which construes this term as an automated system that transmits funds electronically to a user, and any structural equivalents thereof.

**6. Digital image means for creating digital image of good for sale**

The court notes that this is another means-plus-function element. As the word "means" is present, and there is no recited structure sufficient to perform the recited function, the court finds that this claim does fall under section 112, paragraph 6. Thus, the first step is to define the function to be performed, which in this case is creating a digital image of a good for sale. The second step is where the parties disagree; specifically, the plaintiff states that one of the corresponding structures should be an image repository, while the defendants argue that such a structure cannot perform the claimed function of creating a digital image.

The plaintiff has offered a number of cites to the specification to support its argument that an image repository should be included as a corresponding structure. See, e.g., '265 patent, col. 15, ll. 28-37 ("It is understood that other input devices such as scanners and the like may be use[d] in place of the digital camera. The image process module 702 may convert the digital picture to a compressed data format such as JPEG or MPEG, more suitable for communication of the image across a data link. ... The record maker routine 704 may display the image or allow the user to select an image from storage unit 710."). The defendants concede that the specification does say this; however, they argue that selecting an image from a storage unit or image repository is not creating the digital image. This court agrees. Selecting a digital image and creating a digital image are two different functions. As the plaintiff has argued with earlier means-plus-

function claims constructions, the court is not permitted to incorporate a structure from the written description which is not necessary to perform the claimed function. See Micro Chemical, 194 F.3d at 1258. Therefore, the court finds that only digital cameras, digital scanners and their structural equivalents are the corresponding structures to create a digital image of a good for sale.

**7. Computer locally connected to said digital image means, said user interface, said bar code scanner, said bar code printer, said storage device and said communications means**

There are two claim limitations that are in dispute that start with the phrase “computer locally connected,” which is the main area of dispute in the construction of the claims. The plaintiff seeks to define this term as a connected via a local networking system, while the defendants urge that the computer must be locally connected at a particular location.

The court begins by applying the ordinary and accustomed meaning to the term “locally connected.” As the ordinary meaning of this term is not immediately evident from the claim language itself, the court turns to the specification for clarification. It appears that while the inventor did envision low-cost posting terminals physically located and connected to the various structures listed in the claims, he also disclosed the use of network connecting participant terminals. See ‘265 patent, Figs. 1 and 12. Based on these disclosures, the court cannot now limit the claim to mean only locally connected computers at a particular location. Therefore, the court adopts the plaintiff’s suggested definition and finds that a computer locally connected can be a computer connected via a local networking system.

**8. Generate a data record**

The dispute over this term involves what information must be included in the data record. The defendants argue that a data record contains data fields which must be capable of including a

digital image, an ownership entry, and a tracking number received from the market. The plaintiff contests that ownership entry is required of a data record and argues that the defendants are limiting this claim based on one preferred embodiment from the specification.

The court begins by assigning the ordinary meaning to the term data record, which this court has determined is related information or data items stored in one or more data fields on a database. This is fully supported by the dictionary definitions offered by both parties. See, e.g., Webster's New World Computer Dictionary 103 (9th ed. 2001) ("In a database management program, a complete unit of related data items stored in named data fields."); Newton's Telecom Dictionary (16th ed.) ("a component of a database file containing one or more fields of data or information").

The court now turns to the specification to determine if the inventor has deviated from that ordinary meaning. While it is true that the inventor identified a number of fields that a data record should be capable of containing, such as a digital image, ownership information, price information, etc., the inventor did not explicitly state that all data records must contain all of this information. He merely offered a preferred embodiment of what a data record is capable of containing. Therefore, the court does not agree with the defendants' suggested construction and holds that the term data record shall be given its ordinary meaning, which is related information or data items stored in one or more data fields on a database.

**9. Transfer said data record to the market for goods via said communications means**

With respect to this term, the parties disagree as to whether the data record that is transferred must be stored on the computer's local storage device. The defendants argue that it does, while the plaintiff argues that there is nothing in the claim or specification to suggest this

requirement. However, based on the court's earlier construction of "computer locally connected," the defendants are correct. When the entire claim limitation is read as a whole, there is no question that the data record must come from the computer's storage device. The applicable lines of this limitation state that the system comprises "a computer locally connected to ... said storage device..., said computer adapted to ... store said data record on said storage device, [and] transfer said data record to the market for goods via said communication means." '265 patent, col. 20, ll. 43-54. Based on the court's earlier construction that a computer locally connected may be connected via a local network, the transferring of the data record from the local storage device may also occur via a local network. **Therefore, the court adopts the defendants' proposed definition for this term, and finds that the data record that is transferred must come from the data records stored on the computer's local storage device.**

**10. Receive a tracking number for said good for sale from the market for goods via said communications means**

The defendants seek to impose a temporal limitation in this claim term, an act the plaintiff strenuously opposes. Specifically, the defendants offer the following proposed definition for this term: "receive a unique number/code from the market for goods over the communications connection between the market and the computer upon successful posting of the good for sale for the purposes of tracking the good in the market." Defs.' Opening Brief, Dkt. 159. The defendants offer a number of citations to the specification as support for this limitation; however, upon careful review by this court, the defendants' citations do not indicate that the inventor intended to deviate from the ordinary and accustomed meaning of the term. There is no explicit indication that the inventor intended to include a temporal limitation into this claim term. **Therefore, the court finds that the definition of this term shall be "receive a unique**

number/code from the market for goods via the communications means for the purposes of tracking the good in the market.”<sup>13</sup>

**11. Store said tracking number from the market for goods in said data record on said storage device**

Similarly to section 9 above, the parties dispute whether the tracking number must be stored in the data record at the locally connected storage unit. As the court discussed above, the language of the claim term itself is sufficient to resolve this dispute. Specifically, the relevant portion of this limitation claims

a computer locally connected to ... said storage device..., said computer adapted to ... store said data record on said storage device, ... receive a tracking number for a said good for sale from the market for goods via said communication means, [and] store said tracking number from the market for goods in said data record on said storage device.

‘265 patent, col. 20, ll. 43-57. **Based on the terms previously construed, the court agrees that the tracking number is stored in the data record at the locally connected storage unit, where the local connection may be via a local network.**

**12. Printing a bar code from said tracking number on said bar code printer**

In this final term to be construed from claim 1, the parties dispute whether the bar code that is printed comes from the same tracking number received from the market for goods, or whether the tracking number is the source of the bar code that is printed. The court finds these arguments indistinguishable. **The claim clearly states that the bar code is printed from the tracking number which has been received from the market. There is no need to further construe the claim.**

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<sup>13</sup> The court has defined “communication means” in section B.4 above.

**C. Claim 2**

Claim 2, which is dependent on claim 1, states

The system of claim 1 wherein said textual description received from said user interface includes a sale price for said good for sale, wherein said computer adapted to transfer said data record further conveying a binding offer for sale of said good at said price from said computer to said market.

'265 patent, col. 20, ll. 60-64. The only disputed term in this claim is binding offer for sale of said good. The plaintiff argues that the term should be defined as an obligation to sell the good, whereas the defendants suggest the definition should be an offer to sell a good at a particular price such that the seller must sell the good if a buyer agrees to purchase the good at the offered price.

As with all claims, the court first looks to the ordinary and accustomed meaning of the term. In this case, the court determines that the ordinary meaning of a binding offer for sale is the definition proposed by the plaintiff. The inventor has not deviated from this ordinary meaning in the specification or prosecution history of the patent. Furthermore, the defendants proposed definition incorporates other elements from the claim itself. The language of the claim states that the "said computer adapted to transfer said data record further conveying a binding offer for sale of said good at said price from said computer to said market." *Id.* (emphasis added). To substitute the defendants' proposed definition in place of "a binding offer for sale" makes the claim illogical and redundant. **Therefore, the court will adopt the plaintiff's definition, an obligation to sell the good, as the ordinary meaning of the term.**

**D. Claim 8**

Claim 8 claims

A market apparatus for the use with a posting terminal apparatus, said posting terminal apparatus having means for creating a digital image of a good for sale, means for

creating a data record of said good for sale, a tracking number printer means, a tracking number scanner means and means for communicating to said market apparatus, said market apparatus comprising:

- a communications means for communicating with the posting terminal apparatus;
- a post/de-post communications handler operably connected to said communications means, said communications handler receiving a data record of a good for sale from the posting terminal apparatus, said communications handler detecting a predetermined posting terminal apparatus identification code from the posting terminal apparatus and verifying from said code that the posting terminal apparatus is an authorized user of said market apparatus;
- a storage device operably connected to said post/de-post handler, said storage device adapted to receive and store said data record of a good for sale, said data record containing an image of said good for sale and a textual description of said good for sale;
- a presentation mapping module operably connected to said storage device and a wide area communication network, said presentation mapping module providing via said wide area communications network an interface to said market apparatus for a participant, said presentation mapping module providing said participant with access to said data record textual description and said image of said good for sale;
- a transaction processor operably connected to said wide area communication network and said storage device, said transaction processor adapted to receive a purchase request and payment means from said participant, clear said purchase request and payment means and if said payment means clears then transfer the ownership of said good for sale by modifying said data record of said good for sale to reflect the new ownership of said good for sale by said participant; and
- a notification means operably connected to said transaction processor said notification means notifying the posting terminal apparatus in response to said transaction processor transferring ownership of said good for sale denoting with a finality of transaction said new ownership of said good.

'265 patent, col. 21, ll. 14-60.

#### **1. Market apparatus**

The first term the plaintiff seeks to be construed in claim 8 is "market apparatus." The definition proposed by the plaintiff is "a system where items or goods may be bought and sold." The defendants seek the court to apply the same definition used for electronic market, "a trusted network where movable personal property is bought and sold." **For the reasons stated in section V.B.1, the court agrees with the defendants and finds that a market apparatus is a**



trusted network or system where items or goods are bought and sold.

**2. Tracking number printer means/Tracking number scanner means**

There are two issues surrounding these two terms. First, the court must decide whether this is a means-plus-function claim. While the term “means” is present, it does not define a function that will be performed. The plaintiff contends that the function is printing a tracking number; however, that function is not apparent from the language of the claim. It appears to this court that this claim element is a structure claim rather than a means-plus-function claim and as such, section 112, paragraph 6 does not apply. See Personalized Media Communications, 161 F.3d at 703-05.

The second, and more important issue surrounding the construction of this claim element, is whether or not the tracking number is received from the market apparatus. The defendants contend that such a limitation is required, while the plaintiff argues that the defendants’ imposition of this additional limitation is improper. However, the only tracking number or code the inventor disclosed was one that was received from the market during the posting sequence. See, e.g., ‘265 patent, col. 10, ll. 21-29 (“If the record is verified 212 as complete enough to commit to the consignment node database, a data record is created 214 and linked into the consignment node database. The consignment node program then generates and prints a bar code 216 that indicated the data record. The bar code system is used by the consignment node to maintain an accurate inventory and is a hook for local sales.... The posting routine may then exit 218 and return from the posting program.”); id. at col. 16, ll. 8-11 (“The code field 948 displays the bar code data in text form that the market maker computer 900 sends to the posting terminal 700 when a record is successfully posted.”). **Therefore, this court finds that the tracking number is the one that has been received from the market.**

**3. Means for communicating to said market apparatus**

While this term is not in dispute, the plaintiff urges this court to construe it because it is a means-plus-function claim. The parties agree that the function to be performed is communicating to said market apparatus, and that the corresponding structures include a network card operating with a networking software, a modem operating with a networking software, and any structural equivalents thereof. As the parties are in agreement, the court will apply this construction to this claim term.

**4. Communications means for communicating with the posting terminal apparatus**

The defendants did not identify this term for interpretation; however, the plaintiff states that the court must interpret it as it is a means-plus-function claim. The court addressed a similar phrase, “communication means for communicating with said data record of said good” in claim

1. See section V.B.4 supra. As such, the court construes this term consistent with that term.

**5. Said communications handler detecting a predetermined posting terminal apparatus code and verifying from said code that the posting terminal apparatus is an authorized user of said market apparatus**

The plaintiff’s proposed construction of this claim term is software operating on a computer system that detects coded information from the transmitting system and uses that coded information as part of ensuring that the user is authorized. The defendants object to this construction, arguing that the plaintiff is attempting to impermissibly cover authorization of the person using the posting terminal apparatus, rather than just the authorization of the posting terminal apparatus. From the plain language of the claim, the defendants appear to be correct. The claim only verifies that the posting terminal apparatus is an authorized user, not the person using the posting terminal apparatus. The plaintiff points to a citation in the specification which

states that “[t]he posting record may also include a header that identifies a store identification, user identification, passwords and the like to allow the market maker computer 800 to verify authenticity, approve authorization and track usage of the posting terminal 700 by a particular posting terminal 700 and posting terminal user.” ‘265 patent, col. 17, ll. 21-26. However, the plaintiff is doing exactly what it has repeatedly accused the defendants of doing in this Markman process; it is reading a preferred embodiment from the specification into the claim. The ordinary meaning of the claim term reveals that it is the posting terminal apparatus, and not the user, that is verified. The inventor did not deviate from this ordinary meaning in the specification or prosecution history. Therefore, this limitation cannot be incorporated into the claim and **the court finds that only the posting terminal apparatus is verified as an authorized user of the market apparatus.**

**6. Said transaction processor adapted to receive a purchase request and payment means from said participant**

The dispute with this claim is over whether the transaction processor can execute a transaction, as suggested by the plaintiff. The defendants argue that the ordinary language of the claim states that the transaction processor can receive a purchase request and payment from a participant, not that it can execute a transaction. Based on the arguments of counsel in their briefs, it appears to this court that this argument revolves around what functions the transaction processor can perform. Therefore, the court will merely construe the term transaction processor from claim 8.

The court notes that this term is part of a larger claim limitation and that it should be read in context with the entire limitation, which reads

a transaction processor operably connected to said wide area communication network and said storage device, said transaction processor adapted to receive a purchase request and

payment means from said participant, clear said purchase request and payment means and if said payment means clears then transfer the ownership of said good for sale by modifying said data record of said good for sale to reflect the new ownership of said good for sale by said participant.

'265 patent, col. 21, ll. 46-54. Based on the entire limitation, it appears that the transaction processor must be capable of receiving purchase requests and payment means from a participant, clearing a purchase request, and transferring ownership of the good by modifying the data record. Furthermore, this interpretation is amply supported in the specification. See, e.g., id. at col. 18, l. 63 - col. 19, l. 13 ("The market maker computer 800 may have ... a transaction processor 812 ... [whose] function is to provide a means to process transactions from participants by clearing a transaction and transferring legal title to a good."); id. at col. 19, ll. 40-45 ("The transaction processor 812 may use RSA certificates and/or other well-known techniques to process secured transactions between the market maker computer 800 and participants 702 and 902. It is understood that the transaction processor 812 may interface with external payment systems 826."). Therefore, the plaintiff's suggested definition, a processor for executing a transaction based on a request and payment from the participant, is fully supported by the claim language, read in light of the specification, and will be adopted by this court.

**7. Clear said purchase request and payment means**

The dispute here focuses on the same clause of claim 8 and revolves around whether the term means "to process the purchase request," as the plaintiff suggests, or "a computer programmed to clear or effect the clearance of the participant's purchase request and payment means," as the defendants suggest. Similar to the last claim term, this term involves the functions of the transaction processor. Based on the arguments above, **the court finds that clearing the purchase request and payment means requires the processing of the purchase**

request. The cited portions of the specification above fully support this interpretation.

Therefore, the court adopts the plaintiff's proposed definition for this term.

**8. If said payment means clears then transfer the ownership of said good for sale by modifying said data record of said good for sale to reflect the new ownership of said good for sale by said participant**

This term also refers back to the same clause of claim 8 involving the functions of the transaction processor. However, with respect to this term, the defendants' proposed definition is correct. The defendants argue that this claim means that if the payment made by a participant for a good for sale clears, then the legal ownership of the good is transferred by modifying the ownership entry in the data record of the good to reflect that the purchasing participant is the new owner of the good. The plaintiff, on the other hand, states that this claim simply means to record the new owner of the good. However, based on the claim language itself, the specification, and the prosecution history of the inventor's patents, it is clear to the court that legal ownership of the good is transferred once the payment means clears.

The claim language states that the transaction processor "transfer[s] the ownership of said good for sale." It does not merely say that it records a new owner. While the language continues by saying this transfer of ownership is accomplished by "modifying said data record," the claim is not limited to merely modifying the record - legal ownership must be transferred.

Furthermore, the specification discusses the transfer of ownership or legal title in numerous places. See, e.g., '265 patent, col. 12, ll. 42-48 ("After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee. The consignment node then transfers legal ownership 408 of the good by changing the ownership entry in the data record in the consignment node of the good."); id. at col. 18, ll. 27-37 ("The procedures, when used in conjunction with the rules and

procedures imposed on the posting terminal user through a franchising or licensing legal framework assure that (1) when a record of a good is found on the market maker computer 800 by a participant 900 or another retailer 902, it is in fact for-sale and is in the physical and legal possession of a 'trusted' franchise and (2) that when a bona fide purchase price is tendered by a participant 900 or another retailer 902 the legal title to a good as represented by the record will transfer to the buyer with an immediate or nearly immediate finality to the transaction."); *id.* at col. 19, ll. 11-13 ("The third function is to provide means to process transactions from participants by clearing a transaction and transferring legal title to a good.").

Finally, in the prosecution history of the inventor's patents, the inventor stated, on more than one occasion, that "[t]he market maker computer completes transactions having the effect of immediately changing legal ownership of the used or collectible for sale when the payment is approved by the market maker computer in processing payment, and updates the database and the data record for the used or collectible good for sale." Defs.' Opening Br., Ex. Q, p. BD0012593 (Applicant's Brief Under 37 CFR § 1.192). Therefore, based on the intrinsic evidence, the court adopts the defendants' proposed definition for this claim term; specifically, if the payment made by a participant for a good for sale clears, then the legal ownership of the good is transferred by modifying the ownership entry in the data record of the good to reflect that the purchasing participant is the new owner of the good.

**9. Said notification means notifying the posting terminal apparatus in response to said transaction processor transferring ownership of said good for sale denoting with a finality of transaction said new ownership of said good**

The final claim term in dispute in claim 8 is a means-plus-function claim. Therefore, the court must first determine if this term falls under the purview of section 112, paragraph 6. As the

word “means” is present, and there is no recited structure sufficient to perform the recited function, the court finds that this claim does fall under section 112, paragraph 6. Thus, the next step is to define the function to be performed, which in this case is notifying the posting terminal apparatus of the new ownership of the good for sale. The final step is to identify the corresponding structures that will perform the cited function. It does not appear that the defendants dispute the plaintiff’s list of corresponding structures and as such, the court will adopt this list. Specifically, the corresponding structures cited by the plaintiff include: an electronic mail system, FTP (file transfer protocol) transmission systems, Internet transmission systems, private network transmission systems, and any structural equivalents thereof. For support of these structures, the plaintiff has provided numerous cites to the specification. See, e.g., ‘265 patent, col. 7, ll. 56-65 (“The consignment node may be networked via TCP/IP and the internet or a private TCP/IP network or X.25 private or public network or service providers network of ISDN, ATM and the like”); id. at col. 9, ll. 21-22 (“what transfer program is desired such as Kermit, Xmodem, FTP and the like”); id. at col. 13, ll. 51-52 (“Such a proposed offer may be stored by the consignment node and used to notify the good owner.”); id. at col. 18, l. 63 (“mail module”); id. at col. 19, ll. 20-28 (“modem bank...”); and id. at Figs. 1, 12, and 13. **The court finds no error in the plaintiff’s compilation of corresponding structures and therefore holds that this claim will be construed as a means for notifying the posting terminal apparatus of the new ownership of the good for sale by an electronic mail system, FTP (file transfer protocol) transmission systems, Internet transmission systems, private network transmission systems, and any structural equivalents thereof.**

**E. Claim 15**<sup>14</sup>

The only term left to be construed in this claim is “a posting terminal communication interface for communicating with said market apparatus.” The remainder of the terms in this claim have been construed with respect to claim 8.

In the preamble to claim 8, the inventor claimed a “means for communicating to said market apparatus,” whereas in claim 15, the inventor claimed “a posting terminal communication interface for communicating with the said market apparatus.” The plaintiff suggests that the term in claim 15 should mean a hardware/software element that enables communications between the posting terminal and the market apparatus, while the defendants argue the term should be defined as a communication connection between the market apparatus and the posting terminal apparatus used for accepting a data record of a good for sale from the posting terminal. The plaintiff appears to dispute the defendants’ choice of the phrase “communication connection” as it does not imply the same meaning as “interface,” which the plaintiff argues is a portion of a system that puts a communication into a communications media such as the Internet.

Initially, the court applies the ordinary and accustomed meaning to the term interface, which the court has determined to be the place at which, or means by which, independent systems meet and act on, or communicate with, each other. Merriam-Webster’s Collegiate Dictionary 610 (10th ed. 1997). A review of the specification does not indicate any intent by the inventor to deviate from that ordinary meaning. Therefore, the court finds that interface is not synonymous with communication connection as suggested by the defendants. Rather, the plaintiff’s definition, a system that enables communications, is more in line with the

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<sup>14</sup> Claim 15 is practically identical to claim 8, and therefore, this court will not copy the entire claim here.



ordinary meaning. Therefore, the plaintiff's proposed definition will be adopted by this court.<sup>15</sup>

**F. Claim 26**<sup>16</sup>

The only term left to be construed in this claim is "said notification module providing notification to the posting terminal apparatus in response to said transaction processor processing said purchase request and verifying said electronic payment information." The remainder of the terms in the claim have been construed above.

The plaintiff's suggested definition of this term is a system that sends information that is received at the posting terminal apparatus after the purchase request is processed and the electronic payment information is verified. The defendants, on the other hand, seek the following definition: a computer programmed to notify the posting terminal apparatus that the ownership of the good for sale has been transferred by the transaction processor and electronic payment has been made. The plaintiff's main point of disagreement with the defendants' suggested definition is that the defendants are imposing the content of the notification, rather than when the notification is given.

The court first looks to the ordinary meaning of the claim itself. Here, the plain language of the claim states that the notification is given in response to processing the purchase request and verifying the payment; it does not state that the notification contains this information. The

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<sup>15</sup> In claim 23 the parties dispute the term "a communication interface for communicating with said system to accept said data record of said good" for the same reasons discussed here. The court finds that the term "interface" will be construed consistently throughout the '265 patent.

<sup>16</sup> Claim 26 is practically identical to claim 8, and therefore, this court will not copy the entire claim here.

citations to the specification provided by the defendants do not support its proposed construction, nor do they show an intent of the inventor to deviate from the plain meaning of the claim language. Therefore, the court finds that this term shall mean a system that sends information that is received at the posting terminal apparatus after the purchase request is processed and the electronic payment information is verified.

**G. Claim 27**

Claim 27, which is dependent on claim 26, claims

The electronic market of claim 26 wherein said market is further adapted to delay payment of said electronic payment for said good for sale from a first owner to a second owner for a predetermined interval.

'265 patent, col. 26, ll. 1-4. The only term to be construed in this claim is "delay payment of said electronic payment information for said good for sale from first owner to second owner for a predetermined interval."

As an initial matter, the defendants argue that there is insufficient support in the written description to support this claim. Whether or not the defendants are correct on this issue, the claim must first be construed prior to a finding of invalidity based on an inadequate written description. Furthermore, this issue has not been fully briefed or argued; and as such, the court is not in a position to find this claim invalid at this time. Therefore, for purposes of this Order and Opinion, the court will merely construe the claim.

As for the claim construction, the plaintiff argues that this term should be given its ordinary and accustomed meaning. Alternatively, the plaintiff seeks the court to define it as waiting a predetermined amount of time to pay the seller after the purchase of the good by the buyer. The defendants argue that the term means to delay an electronic payment from a first owner to a second owner for a predetermined period of time. The court does not see much

difference in these two proposed constructions; however, it appears that the defendants' definition more closely tracks the claim language. Furthermore, there is nothing in the intrinsic evidence to show that the inventor intended to deviate from the ordinary meaning of the claim. **Therefore, the court adopts the defendants' suggested definition, to delay an electronic payment from a first owner to a second owner for a predetermined period of time.**

**VI. Conclusion**

For the reasons set for above, the court issues this Order and Opinion as the construction of the claims in the '051, '176, and '265 patents.

The Clerk is REQUESTED to send a copy of this Order and Opinion to counsel of record.

It is so ORDERED.

  
UNITED STATES DISTRICT JUDGE

Norfolk, Virginia  
October 18, 2002

JCP

The opinion in support of the decision being entered today was not written for publication and is not binding precedent of the Board.

Paper No. 45

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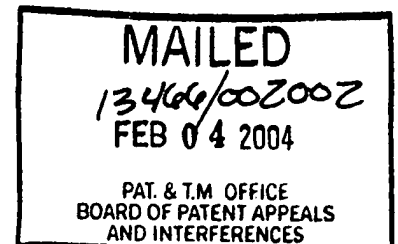
FISH & RICHARDSON, P.C.  
SAN DIEGO

BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES

Ex parte THOMAS G. WOOLSTON

Appeal No. 2003-1088  
Application No. 09/253,014

HEARD: December 10, 2003



Before HAIRSTON, JERRY SMITH, and LEVY, Administrative Patent Judges.

LEVY, Administrative Patent Judge.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134 from the examiner's final rejection of claims 11-25, 33-55, 64-99 and 133-218, which are all of the claims pending in this application.

BACKGROUND

Appellant's invention relates to computer-implemented methods and systems for conducting auctions on the Internet. An understanding of the invention can be derived from a reading of exemplary claim 11, which is reproduced as follows:

11. A computer-implemented method for conducting auctions on the internet, the method comprising:

receiving at a communication handler program executing on a host computer information from a seller corresponding to an item for auction, the information received from the seller including (i) a designation of a category, selected from a list of categories, under which the item for auction is to be listed, and (ii) input relating to scheduling an auction for the item;

processing at least a portion of the received information into a presentation format by a database-to-presentation format formatting program, the presentation format including an indication of the category of the item for auction;

based at least in part on the received auction scheduling input, conducting an auction for the item over the Internet by presenting the presentation format to a plurality of potential bidders;

receiving at the host computer at least one bid on the auctioned item from a bidder; and

receiving at a host computer payment information from the bidder.

The prior art references of record relied upon by the examiner in rejecting the appealed claims are:

Keithley et al.	5,584,025	Dec. 10, 1996
(Keithley)	(effectively filed: Oct. 29, 1993)	

<sup>1</sup> In the final rejection, claims 152, 158, 164, 170, 176, 182, 188, 194, 200, 206, and 217 were additionally rejected under 35 U.S.C. § 112, first paragraph. However, the rejection of these claims under 35 U.S.C. § 112, first paragraph, has been withdrawn by the examiner (answer, page 20).

Claims 12, 14, 15, 17, 24, 25, 34, 36-38, 42, 46-48, 51-53, 71-73, 86-89, 98 and 99 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Salmon in view of Sharp and Wright, and further in view of "Internet Providers Take Next Step Toward Electronic Commerce."

Claims 85, 91, 92 and 97 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Salmon in view of Sharp and Wright, and further in view of Debenedictis.

Claim 147 is rejected under 35 U.S.C. § 103(a) as unpatentable over Salmon in view of Sharp and Wright, and further in view of Keithley.

Rather than reiterate the conflicting viewpoints advanced by the examiner and appellant regarding the above-noted rejections, we make reference to the examiner's answer (Paper No. 35, mailed September 10, 2002) for the examiner's complete reasoning in support of the rejections, and to appellant's brief (Paper No. 33, filed April 15, 2002) and reply brief (Paper No. 39, filed November 18, 2002) for appellant's arguments thereagainst. Only those arguments actually made by appellant have been considered in this decision. Arguments which appellant could have made but chose not to make in the brief have not been considered. See 37 CFR 1.192(a).

OPINION

In reaching our decision in this appeal, we have carefully considered the subject matter on appeal, the rejections advanced by the examiner, and the evidence of lack of written description and obviousness relied upon by the examiner as support for the rejections. We have, likewise, reviewed and taken into consideration, in reaching our decision, appellant's arguments set forth in the briefs along with the examiner's rationale in support of the rejections and arguments in rebuttal set forth in the examiner's answer.

Upon consideration of the record before us, we reverse. We note at the outset that as noted by appellant (reply brief, page 1) the examiner (answer, page 6) misstates appellant's grouping of the claims.

We begin with the rejection of claims 148-151, 154-157, 160-163, 166-169, 172-175, 178-181, 184-187, 190-193, 196-199, 202-205, and 213-216 under 35 U.S.C. § 112, first paragraph. The description requirement exists in the first paragraph of 35 U.S.C. § 112 independent of the enablement (how to make and how to use) requirement. Where no prior application is relied upon, the description requirement is that the invention claimed be described in the specification as filed. As such, a rejection on



the description requirement is tantamount to a new matter rejection. The written description requirement serves "to ensure that the inventor had possession, as of the filing date of the application relied on, of the specific subject matter later claimed by him; how the specification accomplishes this is not material." In re Wertheim, 541 F.2d 257, 262, 191 USPQ 90, 96 (CCPA 1976). In order to meet the written description requirement, the appellant does not have to utilize any particular form of disclosure to describe the subject matter claimed, but "the description must clearly allow persons of ordinary skill in the art to recognize that [he or she] invented what is claimed." In re Gosteli, 872 F.2d 1008, 1012, 10 USPQ2d 1614, 1618 (Fed. Cir. 1989). Put another way, "the applicant must . . . convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention." Vas-Cath, Inc. v. Mahurkar, 935 F.2d 1555, 1563-64, 19 USPQ2d 1111, 1117 (Fed. Cir. 1991). Finally, "[p]recisely how close the original description must come to comply with the description requirement of section 112 must be determined on a case-by-case basis." Eiselstein v. Frank, 52 F.3d 1035, 1039, 34 USPQ2d 1467, 1470 (Fed. Cir. 1995) (quoting Vas-Cath, 935 F.2d at 1561, 19 USPQ2d at 1116).

We note at the outset that the examiner does not refer to any specific claim or claims in the group of claims rejected under 35 U.S.C. § 112, first paragraph, but rather states (answer, page 4) that the "[c]ited portion of the specification does not clearly provide support for the seller inputting auction duration, start/end time, immediate start, or indication that the auction is to be invoked by the seller manually. Please provide specific portions of the specification which support these new claims or cancel above claims." On page 20 of the answer, the examiner withdraws the portion of the rejection under 35 U.S.C. § 112, first paragraph, with respect to manual invoking of the auction process.

Appellant asserts (brief, page 25) that the specification (page 18) recites that a user may schedule the consignment node to execute the auction, and argues that an artisan would understand the term "schedule" to encompass time-related parameters such as start/end times, duration and the like. Appellant (brief, page 27) additionally points to the passage of page 10 that recites: "[t]he consignment node user arranges by invoking the appropriate consignment node program a time and date for an electronic auction. ... For example, a pawn shop operator

of a consignment node may have several Rolex watches he wishes to auction with reserve this Saturday night at 7:00p.m."

From our review of the specification, we find that in addition to the portions of the specification relied upon by appellant, that the specification additionally recites (page 11) that during an auction, if no higher bid is received for a predetermined amount of time, the auctioning of the particular product is closed. From the disclosure of scheduling the auction, closing the auction when no further bids are received, and programming the time and date for the auction, we find that the originally filed disclosure reasonably conveys to an artisan that the seller may input information relating to the start/end time, immediate start and duration of the auction. Although we agree with the examiner that the specific language of these features do not appear verbatim in the specification, there is no requirement under 35 U.S.C. § 112, first paragraph, that the terms in the claims exactly appear in haec verba in the specification.

From all of the above, we find that the examiner has failed to establish a prima facie case of lack of adequate written description of the claimed invention. Accordingly, the rejection

of claims 148-151, 154-157, 160-163, 166-169, 172-175, 178-181, 184-187, 190-193, 196-199, 202-205, and 213-216 under 35 U.S.C. § 112, first paragraph, is reversed.

We turn next to the rejection of claims 11, 13, 16, 18-23, 33, 35, 39-41, 43-45, 49, 50, 54, 55, 64-70, 74-85, 90, 93, 96, 133-146, and 148-218 under 35 U.S.C. § 103(a) as unpatentable over Salmon in view of Sharp and Wright. In rejecting claims under 35 U.S.C. § 103, it is incumbent upon the examiner to establish a factual basis to support the legal conclusion of obviousness. See In re Fine, 837 F.2d 1071, 1073, 5 USPQ2d 1596, 1598 (Fed. Cir. 1988). In so doing, the examiner is expected to make the factual determinations set forth in Graham v. John Deere Co., 383 U.S. 1, 17, 148 USPQ 459, 467 (1966), and to provide a reason why one having ordinary skill in the pertinent art would have been led to modify the prior art or to combine prior art references to arrive at the claimed invention. Such reason must stem from some teaching, suggestion or implication in the prior art as a whole or knowledge generally available to one having ordinary skill in the art. Uniroyal, Inc. v. Rudkin-Wiley Corp., 837 F.2d 1044, 1051, 5 USPQ2d 1434, 1438 (Fed. Cir. 1988); Ashland Oil, Inc. v. Delta Resins & Refractories, Inc., 776 F.2d

281, 293, 227 USPQ 657, 664 (Fed. Cir. 1985); ACS Hosp. Sys., Inc. v. Montefiore Hosp., 732 F.2d 1572, 1577, 221 USPQ 929, 933 (Fed. Cir. 1984). These showings by the examiner are an essential part of complying with the burden of presenting a prima facie case of obviousness. Note In re Oetiker, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992). If that burden is met, the burden then shifts to the applicant to overcome the prima facie case with argument and/or evidence. Obviousness is then determined on the basis of the evidence as a whole. See id.; In re Hedges, 783 F.2d 1038, 1039, 228 USPQ 685, 686 (Fed. Cir. 1986); In re Piasecki, 745 F.2d 1468, 1472, 223 USPQ 785, 788 (Fed. Cir. 1984); and In re Rinehart, 531 F.2d 1048, 1052, 189 USPQ 143, 147 (CCPA 1976).

The examiner's position (answer, page 5) is that Salmon teaches a method for conducting sales over the Internet comprising receiving at a communication handler program executing on a host computer information from a seller corresponding to an item for sale, and including a designation of a category. Salmon processes the information into a presentation format including an indication of the category of an item and a product ID. The examiner additionally asserts (id.) that Salmon additionally receives information from the seller relating to a subcategory

for the item and a verbal and/or graphical description of the item. Turning to Sharp, the examiner asserts that Sharp teaches an on-line auction which accepts messages concerning collectibles for sale from participants. The examiner asserts (answer, page 6) that it would have been obvious to have used the on-line auctioning of Sharp as a replacement of the sales in Salmon "since the sellers have a possibility of receiving more money than the asking price or base price for the items thereby providing incentive to users to choose auctioning over brokering." The examiner additionally argues (id.) that in the alternative, it would have been obvious to have used the buyers and sellers interfaces of Salmon in the system of Sharp "since the system of Salmon would have provided an automated system for inputting information into the database of Sharp and would have provided a more enhanced auctioning system by providing users with more information in terms of graphics/multimedia thereby promoting use by the public."

Turning to Wright, the examiner asserts that Wright teaches accepting input relating to scheduling an auction and teaches that the seller includes a price of the item (minimum reserve or bid) and advertising. The examiner's position is that it would have been obvious to have allowed the seller to set the

scheduling of the auction and conducted the auction based on the schedule, in the systems of Salmon and Sharp. The examiner continues (answer, pages 6 and 7) by making fifteen consecutive assertions of what the examiner considers to have been obvious to an artisan, for none of which does the examiner point to any teaching in the references for support for the examiner's position. In none of these fifteen assertions of obviousness does the examiner specifically refer to any claim (or claims) of the more than 100 claims included in this ground of rejection.

Appellant asserts (brief, pages 7-9) that the unsupported and conclusionary opinions of the examiner fail to establish a prima facie case of obviousness of the claimed invention, and that the examiner's subjective belief and unknown authority for asserting motivation is improper. Appellant further argues (brief, pages 9 and 10) that the examiner's alternative motivation for combining the teachings of Salmon and Sharp is a hindsight reconstruction to piece together references using appellant's own claims as a blueprint, and that the PTO must point to objective teachings in the record to suggest the desirability of the combination. It is further argued (brief, page 15) that the claimed computer-implemented Internet auction

initiated by scheduling information received from the seller is not disclosed or suggested by the references.

With respect to Salmon, appellant asserts (brief, pages 15-17) that Salmon is directed to a knowledge-based system that helps buyers with the decision-making process, and that Salmon makes no mention of on-line auctions or any other exchange for actually transacting electronic commerce. Appellant points out that Salmon does not disclose how a final transaction would be achieved, how goods would be paid for, shipped, etc. It is further argued (brief, page 17) that Salmon fails to disclose conducting auctions on the Internet based at least in part on scheduling information received from the seller.

With respect to Sharp, appellant argues (brief, page 17) that the so-called "on-line" auction is conducted in part by receiving E-mail messages from buyers and sellers. Appellant argues that Sharp fails to disclose or suggest conducting auctions on the Internet in which a host computer receives input from a seller relating to scheduling an auction, and then uses that information, at least in part, for conducting an auction over the Internet. Appellant further asserts (brief, page 18) that the PTO is mistaken in asserting that the "auctioning" in Sharp is interchangeable with the "brokering" allegedly disclosed



in Salmon. It is argued (id.) that an artisan would have no motivation to substitute Sharp's "auction" for the "brokerage" of Salmon because the two represent an apples-oranges comparison. Moreover, appellant argues (brief, page 19) that Sharp requires human intervention to maintain security and integrity of the auctions, because messages received from sellers are kept private until they are read and transferred to the network. In addition, in Sharp, the coins submitted by sellers are checked for authenticity and accuracy of the asking price before they are transferred to the auction part of the database.

With respect to Wright, appellant argues (brief, pages 20 and 21) that Wright fails to cure the deficiencies of Sharp and Salmon. Although Wright allows the seller to set the day of the auction, Wright fails to disclose or suggest a computer-implemented method for conducting auctions on the Internet, in which the computer system receives input from the seller relating to scheduling the auction, and then uses that information, at least in part, for conducting an auction for the item over the Internet. Appellant further argues (brief, page 21) that the PTO has failed to identify any legally proper basis for combining Wright with the other references because the only motivation provided (providing sellers with more control and accommodating

their needs) is classic hindsight and lacks support in the evidentiary record.

From our review of Salmon, we find that Salmon is directed to a system for brokering goods and services (col. 1, lines 8 and 9). The invention provides for a computer-implemented system for facilitating any transaction where review of diverse information is part of a buyer's decision-making process (col. 1, lines 18-24), by providing an expert system-based, networked computer system. The system includes buyers and sellers interfaces. The seller's interface allows sellers to input information into the database. The buyer's Interface provides a knowledge-based interactive protocol, enabling the buyer to select and review descriptive information in the database (col. 1, lines 33-37). The knowledge-based protocol includes an approximate-comparison system, for presenting to the buyer, goods or services that approximately match selection criteria entered into the buyer's Interface (col. 1, lines 63-66). The compiled information is presented to the buyer with the assistance of an expert system that selects relevant information in accordance with selected criteria (col. 2, lines 9-11). Uses of the system include purchase or rental of real estate, automobiles, etc.; purchase or rental of consumer goods; hiring of personnel, and exploration of

travel, colleges, business opportunities, etc. As shown in figure 1, the buyer's interface 500 assists the buyer in selecting likely product profiles from database 200, and in evaluating and comparing products to make a purchase decision. In the example of personnel search, the candidate is interviewed by the seller's Interface 300 to supply information for his Product Profile (col. 3, lines 22-24 and 28-30). With further reference to the personnel search example, as shown in figures 2a-2d, the Profile Template includes information such as the candidate's name 204, address 206 and phone number 208, last position 210, compensation 212, and education 214 (col. 3, line 63 through col. 4, line 3). Figures 2d-2f show how information describing the candidates might be stored in table 260, a table 270 of Functions, and table 280 of Skill Set (col. 4, lines 58-61). Referring to figure 3b, the seller's Interface presents a series of questions such as questions regarding the candidate's most significant accomplishment in their previous job (col. 6, lines 46-53). Referring to figures 4a-4c, the seller's Interface presents levels of expanded characteristics for more-detailed selection (col. 7, lines 8-10). Figure 7e shows profile charts for three candidates. Figure 7g shows a candidate resume. Figure 7j shows a score card displaying a numerical score for

each candidate for each characteristic of the Product Profile (col.12, lines 56-59). Figure 7m shows a Profile Summary and Action Plan for each of the candidates. In addition, an action log records the buyers scoring decisions, and any reasons for rejection. For example, the Action Log could report the number of candidates presented, and reasons for rejecting a large number of candidates (col. 13, lines 13-25). The Action Log is the basis for billing for system services, as both buyers and sellers pay a subscription fee for access to the system. Charges could also be made for connection time, database storage, etc. Each match that results in a completed transaction could also incur a charge to the buyer or seller (col. 13, lines 61-67). The Seller's or Buyer's Interface could be run on the seller's or buyer's personal computer in a standalone mode with a diskette mailed back to the buyer with Product Profile hits (col. 14, lines 14-19). It is also contemplated that the system could be operated over the Ethernet, Wan, etc.

Turning to Sharp, we find that Sharp is directed to an "on-line" auction that is stored and operated on an IBM Personal computer AT, which has been programmed to carry out the tasks needed to conduct on-line auctions and straight sales. The auctions are for coins and other collectibles. The system is

accessible to anyone with a computer terminal and a modem. In operation, users enter their bids in the form of messages. A toll-free number connects the user with the database for a one time fee and a monthly charge. Messages are completely private until Mintz or Blankley read them and transfer them to the network. The database has several different "auctions" or "trading floors." Collectors send messages offering their coins, then ship the coins in advance of the auction date. Blankley has them checked for authenticity and for the accuracy of the asking price. They are then stored in a bank vault and the message is transferred onto the auction portion of the database. If the coin is not acceptable, it is returned to the seller. The Company has advertised in USA Today.

Turning to Wright, we find that Wright is directed to real estate auctions. Wright discloses that with an auction, sellers can set the day they would like their property to sell. Wright discusses the differences between sealed-bid, reserve and absolute auctions. Wright additionally discloses making bidders aware through the use of brochures, advertisements and announcements. We find no disclosure in Wright relating to computer-implemented auctions.

From the disclosure of Salmon, we agree with appellant (brief, pages 15-17) that Salmon is directed to a knowledge-based system for assisting a buyer in making decisions, and find no disclosure in Salmon relating to a computer-implemented auction.

Two criteria have evolved for determining whether prior art is analogous: (1) whether the art is from the same field of endeavor, regardless of the problem addressed, and (2) if the reference is not within the field of the inventor's endeavor, whether the reference still is reasonably pertinent to the particular problem with which the inventor is involved. In re Clay, 966 F.2d 656, 658-59, 23 USPQ2d 1058, 1060 (Fed. Cir. 1992). See also In re Deminski, 796 F.2d 436, 442, 230 USPQ 313, 315 (Fed. Cir. 1986); In re Wood, 599 F.2d 1032, 1036, 202 USPQ 171, 174 (CCPA 1979). Because Salmon is not directed to a computer-implemented auction and does not relate at all to the auctioning of goods, we find that Salmon is non-analogous art, unrelated to either appellant's field of endeavor i.e., computer-implemented auctions, or to any problem reasonably related to the problem that appellant has solved, i.e, conducting the auction, at least in part, based upon seller input relating to scheduling the auction.

From the disclosure of Sharp, we find that Sharp is analogous art because Sharp is related to the nationwide auctioning of collectible goods, in a system that is programmed on a computer, and is accessible to anyone with a computer and modem who pays to join the service.

From the disclosure of Wright, we find that Wright relates to auctioning of real estate, and is not directed to computer-implemented auctions. Thus, because Wright is directed to auctions of real estate, and is not directed to a computer-implemented auction, we find that Wright is non-analogous art unrelated to either appellant's field of endeavor or to any problem reasonably related to the problem that appellant has solved. Because Salon and Wright are non-analogous art, we find no teaching or suggestion that would have motivated an artisan to combine the teachings of these references with the disclosure of Sharp. In addition, while Sharp discloses an on-line auction, operated on a nationwide basis, Sharp relies upon Blankley and Mintz to review the messages before transferring them to the network. This is done for security purposes. In addition, in Sharp, users call the system and bid through the use of messages called in, and sellers ship their products for authentication and verification before they are listed in the system. Thus, sharp

does not disclose the use of seller input relating to scheduling the auction, for use, at least in part, in conducting the computer-implemented auction, as required by each of the independent claims 11, 20, 33, 40, 43, 49, 54, 55, 133, 146, and 212. In addition, with respect to the fifteen consecutive statements of obviousness made by the examiner, that we referred to, supra, the examiner's subjective assertions of what would have been obvious to an artisan is not a substitute for evidence in the record. See In re Zurko, 258 F.3d 1379, 1386, 59 USPQ2d 1693, 1697 (Fed. Cir. 2001), and In re Lee, 277 F.3d 1338, 1345, 61 USPQ2d 1430, 1435 (Fed. Cir. 2002). The deficiencies of the cited references cannot be remedied by general conclusions about what the examiner considers to essentially be basic knowledge or common sense to one of ordinary skill in the art. As the examiner's assessments (answer, pages 5 and 6) are not based on any evidence in the record, the examiner's unsupported opinion lacks substantial evidence support. To support the examiner's opinions of obviousness, the examiner needs to point to some concrete evidence in the record in support of these findings. To hold otherwise would render the process of appellate review for substantial evidence on the record a meaningless exercise. See Baltimore & Ohio R.R. Co. v.



Alderdeen & Rockfish R.R. Co., 393 U.S. 87, 91-92 (1968)

(rejecting a determination of the Interstate Commerce Commission with no support in the record, noting that if the Court were to conclude otherwise "[t]he requirement for administrative decisions based on substantial evidence and reasoned findings -- which alone make effective judicial review possible -- would become lost in the haze of so-called expertise").

From all of the above, we find that the examiner has failed to establish a prima facie case of obviousness of claims 11, 13, 16, 18-23, 33, 35, 39-41, 43-45, 49, 50, 54, 55, 64-70, 74-85, 90, 93-96, 133-146, and 148-218 under 35 U.S.C. § 103(a). Accordingly, the rejection of claims 11, 13, 16, 18-23, 33, 35, 39-41, 43-45, 49, 50, 54, 55, 64-70, 74-85, 90, 93-96, 133-146, and 148-218 under 35 U.S.C. § 103(a) is reversed.

In addition, with respect to the rejection of claims 12, 14, 15, 17, 24, 25, 34, 36-38, 42, 46-48, 51-53, 71-73, 85-89, 91, 92, 98, 99, and 147, for which the examiner additionally relies upon "Internet Providers Take Next Step Toward Electronic Commerce," Debenedictis, or Keithley, we reverse the rejection of these claims as these references fail to make up for the deficiencies of Salmon, Sharp and Wright. Although we find,

sua sponte, that figures 28-32 of Debenedictis relate to application of Debenedictis' invention to a computerized on-line auction, we find no disclosure in Debenedictis relating to the use of seller input regarding scheduling of the auction being used, at least in part, to conduct an auction. In addition, Keithley refers to use of his method of accessing industry specific information with auctions (col. 1, line 32); discloses the auctioning of real property (col. 6, lines 32-34); discloses allowing Real Estate Agents access to privileged information not available to the public, including notations entered into the file by listing agents, that relate to Auction Profiles (col. 8, lines 20-25); and auction information from property profile databases relating to auctions (col. 10, lines 58-64). However, we find no teaching or suggestion in Keithley relating to the use of seller input regarding scheduling of the auction being used, at least in part, to conduct an auction.

## CONCLUSION

To summarize, the decision of the examiner to reject claims 148-151, 154-157, 160-163, 166-169, 172-175, 178-181, 184-187, 190-193, 196-199, 202-205, and 213-216 under 35 U.S.C. § 112, first paragraph is reversed. The decision of the examiner to reject claims 11-25, 33-55, 64-99, 133-218 under 35 U.S.C. § 103(a) is reversed.

REVERSED

  
KENNETH W. HAIRSTON  
Administrative Patent Judge

*Jerry Smith*  
JERRY SMITH  
Administrative Patent Judge

*Stuart S. Levy*  
STUART S. LEVY  
Administrative Patent Judge

BOARD OF PATENT  
APPEALS  
AND  
INTERFERENCES

Appeal No. 2003-1088  
Application No. 09/253,014

Page 25

FISH & RICHARDSON, P.C.  
12390 EL CAMINO REAL  
SAN DIEGO, CA 92130-2081

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant : Thomas G. Woolston                      Art Unit : 3624  
Serial No. : 09/557,617                              Examiner : Sandra S. Snapp  
Filed : April 25, 2000  
Title : CONSIGNMENT NODES

Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

NOTICE OF CO-PENDING CASES AND RELATED MATTERS FOR  
EXAMINER INTERVIEW AUGUST 31, 2004

09/166,779    METHODS AND APPARATUS FOR FACILITATING ELECTRONIC  
                  COMMERCE TRANSACTIONS IN AN OFFER/COUNTER-OFFER  
                  EXCHANGE (002001)  
  
09/253,014    METHOD AND APPARATUS FOR FACILITATING ELECTRONIC  
                  COMMERCE THROUGH INTERNET ACTIONS (002002)  
  
09/670,561    SYSTEM FOR FACILITATING ELECTRONIC COMMERCE  
                  TRANSACTIONS (002004)  
  
09/670,562    METHOD FOR FACILITATING COMMERCE AT AN INTERNET-BASED  
                  AUCTION (002005)  
  
08/427,820    CONSIGNMENT NODES (002007)  
  
09/557,617    CONSIGNMENT NODES (002011)  
  
09/779,551    FACILITATING ELECTRONIC COMMERCE THROUGH TWO-TIERED  
                  ELECTRONIC TRANSACTIONAL SYSTEM (002013)  
  
10/740,151    CONSIGNMENT NODES (002015)  
  
10/824,322    CONSIGNMENT NODES (002016)

Markman order October 18, 2002

Order and Opinion Oct 21, 2002

Trial Exhibit 111

Reexamination control Nos.    90/006,984 ; 90/006,957 ; 90/006,956 (010RX1)

Decision of Board of Patent Appeals and Interferences – February 4, 2004

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Thomas G. Woolston

**eBay's United States Utility Patent Applications Produced**

<b><u>No.</u></b>	<b><u>Filing Date</u></b>	<b><u>Title</u></b>	<b><u>MercExchange Patents Cited To Patent Office By eBay</u></b>
1.	23 OCT 1998	Information Presentation and Management in an Online Trading Environment	
2.	09 NOV 1999	Information Presentation and Management in an Online Trading Environment	'265 Patent
3.	08 DEC 1999	Integrated Auction	'265 Patent
4.	26 JAN 2000	Method and Apparatus for Facilitating User Selection of an Item Category in an Online Auction	
5.	29 FEB 2000	Method and System for Harvesting Feedback and Comments Regarding Multiple Items from Users of a Network Based Transaction Facility	'265 Patent
6.	09 MAR 2000	Method and Apparatus for Verifying the Identity of a Participant Within an Online Auction Environment	'176, '051 and '651 Patents
7.	29 MAR 2000	Method and System for Automatically Updating Search Results on an Online Auction Site	
8.	04 APR 2000	Information Presentation and Management in an Online Trading Environment	'265 Patent
9.	24 APR 2000	Generic Attribute Database System	'265 Patent
10.	11 MAY 2000	Method and Apparatus for Dual Online Registration Contact Information System	
11.	22 MAY 2000	Method and Apparatus for Facilitating On-line Payment Transactions in a Network Based Transaction Facility	
12.	30 MAY 2000	Method and System for Reporting Fraud and Claiming Insurance Related to Network Based Transactions	
13.	07 JUN 2000	Dynamic Selection of Images for Web Pages	'265 Patent

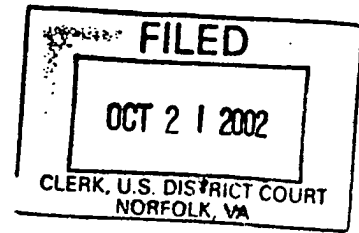
<u>No.</u>	<u>Filing Date</u>	<u>Title</u>	<u>MercExchange Patents Cited To Patent Office By eBay</u>
14.	21 JUN 2000	Method and System for Defining and Uploading Multiple Transaction Descriptions from a Client to a Network Based Transaction Facility	'265 Patent
15.	13 JUL 2000	Method and System for Detecting Fraud	'265 Patent
16.	21 JUL 2000	Live Auction	'265 Patent
17.	13 SEP 2000	Monitoring and Automatic Notification of Irregular Activity in a Network Based Transaction Facility	'265 Patent
18.	22 SEP 2000	Method and System for Communicating Selected Search Results Between and First and Second Entities Over a Network	'265 Patent
19.	20 NOV 2000	Method and System for Dealing with Non-Paying Bidders Related to Network Based Transactions	
20.	04 DEC 2000	Method and Apparatus for Facilitating User Registration in an Online Auction Environment	'176, '051 and '651 Patents
21.	08 DEC 2000	Method and System for Categorizing Items in both Actual and Virtual Categories	'265 Patent
22.	19 DEC 2000	Method and Apparatus for Providing Predefined Feedback	
23.	21 DEC 2000	Method and System for the Creation and Communication of Notes Concerning an Auction Participant or Items with a Networked Base Transaction Facility	'265 Patent
24.	15 JAN 2001	Method and System to Implement Seller Authorized Bidding within a Network Based Auction Facility	'265 Patent
25.	29 JAN 2001	Method and System for Maintaining Log-in Preference Information of Users in a Network Based Transaction Facility	
26.	05 FEB 2001	Information Presentation and Management in an Online Trading Environment	



<u>No.</u>	<u>Filing Date</u>	<u>Title</u>	<u>MercExchange Patents Cited To Patent Office By eBay</u>
27.	14 FEB 2001	Method and Apparatus for Performing Declining Price Auction Over One or More Networks	<b>'265 Patent</b>
28.	28 MAR 2001	Method and System to Enable a Fixed Price Purchase within an Online Auction Environment	
29.	03 APR 2001	Method and System to Automatically Remind Parties to a Network-based Transaction to Comply with Obligations Established Under Transaction Agreement	
30.	12 JUL 2001	Method and System for Listing Items Globally and Regionally and Customizing Listing According to Currency or Shipping Areas	<b>'265 Patent</b>
31.	12 JUL 2001	Method and Apparatus to Detect Suspicious Transaction within a Network Based Auction Facility	
32.	31 JUL 2001	Method and System to Facilitate Pre-ordering via an Electronic Commerce Facility and to Automatically Facilitate Satisfying of Pre-order Upon Listing of an Appropriate Offering via the Electronic Commerce Facility	<b>'265 Patent</b>
33.	22 AUG 2001	Hide Through-put Reliable Messaging Interface	
34.	12 SEP 2001	Method and Apparatus for Facilitating User Selection of an Item Category in an Online Auction	
35.	01 OCT 2001	Method and Apparatus for Conducting a Discount Program in an Online Auction Environment	<b>'265, '176, '051 and '651 Patents</b>
36.	11 OCT 2001	System and Method to Facilitate Translation of Communication between Entities over a Network	
37.	17 OCT 2001	System and Method to Control Spending of Unsolicited Communications over a Network	<b>'265, '176 and '051 Patents</b>

<u>No.</u>	<u>Filing Date</u>	<u>Title</u>	<u>MercExchange Patents Cited To Patent Office By eBay</u>
38.	31 OCT 2001	Method and Apparatus to Facilitate a Transaction within a Network Based Auction Facility	
39.	13 NOV 2001	Taxonomy Based Database Partitioning	'265 Patent
40.	14 DEC 2001	Method and System Automatically to Support Multiple Transaction Types and to Display Seller Specific Transactions of Various Transaction types in an Integrated Co-mingled listing	'265 Patent
41.	18 DEC 2001	Prioritization of Third Party Access to an Online Commerce Site	'265 Patent
42.	29 JAN 2002	Combined Auction and Fixed Price Check-out System	'265 Patent
43.	14 FEB 2002	Determining a Community Rating for a User Using Feedback Ratings of Related Users in An Electronic Environment	'265 Patent

IN THE UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF VIRGINIA  
Norfolk Division



MERCEXCHANGE, L.L.C.,

Plaintiff,

v.

Civil Action No. 2:01cv736

eBAY, INC., et al.,

Defendants.

**ORDER AND OPINION**

On May 30, 2002, the court heard oral argument on a number of Motions for Summary Judgment filed by the parties in this case. On July 10, 2002, the court issued an Opinion with respect to two of the Motions, and deferred issuing a ruling on the remaining three Motions until the outcome of the Markman<sup>1</sup> hearing, which was held on July 30 and 31, 2002. Based on the court's Opinion on the Markman issues, the court is prepared to issue an Opinion on the outstanding Motions for Summary Judgment. These Motions include defendant eBay's Motion for Summary Judgment that all claims of U.S. Patent No. 6,202,051 ("the '051 patent") are invalid for an inadequate written description; plaintiff MercExchange's Cross-Motion for Summary Judgment that all claims of the '051 patent are valid for an adequate written description; and defendant Half.com's Motion for Summary Judgment that claims 1-9 and 29-41 of U.S. Patent No. 6,085,176 ("the '176 patent") are invalid pursuant to 35 U.S.C. §§ 102(a) and/or 102(g). For the reasons more fully articulated below, the court GRANTS in part and DENIES in part eBay's Motion, GRANTS in part and DENIES in part the plaintiff's Cross-

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<sup>1</sup> Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed. Cir. 1995), aff'd, 517 U.S. 370, 116 S. Ct. 1384 (1996).

Motion, and DENIES Half.com's Motion.

## **I. Factual Background**

The court dispenses with the factual and procedural background in this Opinion, as it is explicitly detailed in the court's October 18, 2002 Order and Opinion ("Markman Opinion").

## **II. Standard of Review**

In patent cases, as well as in all other cases, summary judgment is appropriate when it is apparent from the entire record, viewed in light most favorable to the non-moving party, that there are no genuine disputes of material fact. See Clark v. Alexander, 85 F.3d 146, 150 (4th Cir. 1996); see also Celotex Corp. v. Catrett, 477 U.S. 317, 322-24, 106 S.Ct. 2548 (1986); United States v. Diebold, 369 U.S. 654, 655, 82 S. Ct. 993 (1962). When a court declines to grant summary judgment, sufficient evidence must exist favoring the nonmoving party which would allow a reasonable jury to return a verdict for that party. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250, 106 S.Ct. 2505 (1986).

A properly supported motion for summary judgment may not be defeated by "the mere existence of some alleged factual dispute between the parties." Id. at 247-48. The requirement is that there are no genuine issues of material fact. See id. Entry of summary judgment is mandated "against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." Celotex, 477 U.S. at 322. Although an infringement analysis usually involves both questions of fact and issues of law, summary judgment of noninfringement may still be proper. See Nike, Inc. v. Wolverine World Wide, Inc., 43 F.3d 644, 646 (Fed. Cir. 1994); Chemical Eng'g Corp. v. Essef Indus., Inc., 795 F.2d 1565, 1571 (Fed. Cir. 1986). A good faith dispute

about the meaning and scope of asserted claims does not, in and of itself, create a genuine dispute to preclude summary judgment in patent cases. See Lantech, Inc. v. Keip Mach. Co., 32 F.3d 542, 546 (Fed. Cir. 1994).

All issued patents are presumed valid by statute. 35 U.S.C. § 282. This presumption of validity extends to all bases for challenging a patent's validity. See Panduit Corp. v. Dennison Mfg. Co., 810 F.2d 1561, 1570 (Fed. Cir. 1987). "When a patent has been examined and duly granted, judicial review must give due weight to the presumption of validity. The presumption of validity is based on the presumption of administrative correctness of actions of the agency charged with examination of patentability." Applied Materials, Inc. v. Advanced Semiconductor Materials Am., Inc., 98 F.3d 1563, 1569 (Fed. Cir. 1996) (citations omitted). However, "[t]he courts are the final arbiter of patent validity and, although courts may take cognizance of, and benefit from, the proceedings before the patent examiner, the question is ultimately for the courts to decide, without deference to the rulings of the patent examiner." Quad Envtl. Tech. Corp. v. Union Sanitary Dist., 946 F.2d 870, 876 (Fed. Cir. 1991). "The underlying determination of invalidity, however, must be predicated on facts established by clear and convincing evidence." Rockwell Int'l Corp. v. United States, 147 F.3d 1358, 1362 (Fed. Cir. 1998).

### **III. Defendant eBay's Motion for Summary Judgment and Plaintiff's Cross-Motion for Summary Judgment**

There are two Motions regarding the '051 patent that remain pending. Defendant eBay's Motion for Summary Judgment that all claims of the '051 patent are invalid for an inadequate written description, pursuant to 35 U.S.C. § 112 ¶ 1, and the plaintiff's Cross-Motion for Summary Judgment that all claims of the '051 patent are valid for an adequate written

description. In its July 10, 2002 Order and Opinion, the court deferred its ruling on these Motions until after the Markman hearing. Based on the claims constructions in the court's Markman Opinion, the court GRANTS in part and DENIES in part the defendant's Motion, and GRANTS in part and DENIES in part the plaintiff's Motion.

A. **Written Description Standard**

Section 112 requires that "[t]he specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains ... to make and use the same." 35 U.S.C. § 112, ¶ 1; see also Johnson Worldwide Assoc., Inc. v. Zebco Corp., 175 F.3d 985, 993 (Fed. Cir. 1999). The Court of Appeals for the Federal Circuit has held that "[t]he question is not whether a claimed invention is an obvious variant of that which is disclosed in the specification. Rather, a prior application itself must describe an invention, and do so in sufficient detail that one skilled in the art can clearly conclude that the inventor invented the claimed invention as of the filing date sought." Lockwood v. American Airlines, Inc., 107 F.3d 1565, 1572 (Fed. Cir. 1997). "[A]n applicant complies with the written description requirement 'by describing the invention, with all its claimed limitations' ... using 'such descriptive means as words, structures, figures, diagrams, formulas, etc., that set forth the claimed invention.'" Regents of the Univ. of Cal. v. Eli Lilly & Co., 119 F.3d 1559, 1566 (Fed. Cir. 1997) (quoting Lockwood, 107 F.3d at 1572). However, "[i]n order to satisfy the written description requirement, the disclosure as originally filed does not have to provide in haec verba support for the claimed subject matter at issue." Purdue Pharma L.P. v. Faulding, Inc., 230 F.3d 1320, 1323 (Fed. Cir. 2000); accord Lockwood, 107 F.3d at 1572. "[T]he test for sufficiency of support in a

patent application is whether the disclosure of the application relied upon ‘reasonably conveys to the artisan that the inventor had possession at the time of the later claimed subject matter.’”

Ralston Purina Co. v. Far-Mar-Co. Inc., 772 F.2d 1570, 1575 (Fed. Cir. 1985) (quoting In re Kaslow, 707 F.2d 1366, 1375 (Fed. Cir. 1983)). “It is not sufficient for purposes of the written description requirement of § 112 that the disclosure, when combined with the knowledge in the art, would lead one to speculate as to modifications that the inventor might have envisioned, but failed to disclose.” Lockwood, 107 F.3d at 1572.

#### B. Defendant’s Motion

Defendant eBay argues that two terms, which arise in numerous claims of the ‘051 patent, are not adequately supported by the written description. Specifically, the defendant contends that the plaintiff’s original application filed in April of 1995, see U.S. Patent Application No. 08/427,820, Def.’s Mot., Dkt. 46, Ex. 1 (“Application”), did not contain a description of a “seller’s account” or the process of “debiting a seller’s account a commission or fee,” which are the bases for claims 1, 6, 10, 11, 12, 36, 51, and 52 of the ‘051 patent. The defendant contends that the inventor did not include any reference to a “seller’s account” until after he had been an eBay user for two years. The court will address each of these terms separately.

##### 1. Seller’s account

The defendant contends that the inventor did not envision a seller’s account when the Application was filed, and points to page 8 of the Application, where the plaintiff specified that the “‘buyer, hereinafter participant’ could access the consignment node system.” Application at p. 8, l. 7. From this, the defendant argues that only buyers can be participants in the system because by specifically defining a participant to be a “buyer,” the plaintiff precluded participant

from including “seller.” Moreover, the defendant contends that the written description is devoid of any reference to a seller’s account, claiming that the inventor did not add that feature until after viewing it on eBay’s website.

In support of its position that a “seller’s account” has an adequate written description, the plaintiff provides declarations by two professors of computer and information science who are allegedly qualified to address their testimony to those of ordinary skill in the art of electronic networking, auctioning systems and commerce. These individuals have identified at least 15 instances where the plaintiff’s Application discloses that a participant can be a buyer, seller, or both. See e.g., Application at p. 3, l.10 (“Participants, e.g., customers and collectors (hereinafter ‘participants’...”); id. at p. 4, l. 23 - p. 5, l. 3 (“By the interaction of a plurality of participants buying and selling collectibles on a consignment node, posting ‘buy at’ and ‘sell at’ quantities and prices the consignment node may establish a market or become a ‘market maker’ for collectable goods.”). Furthermore, the plaintiff argues that the language of claim 12 of the original application supports a seller’s account, which by itself provides adequate written description support. See Union Oil Co. of Cal. v. Atlantic Richfield Co., 208 F.3d 989, 998 (Fed. Cir. 2000). The plaintiff also contends that because it used the word “participants” interchangeably throughout the application in referring to buyers, sellers, or both, the written description is adequate. See Johnson Worldwide, 175 F.3d at 993 (holding that the written description did support the invention because, inter alia, the patentee used the term “heading” “interchangeably throughout the written description to refer to both the direction of the trolling motor and the direction of the boat.”).

The court has recently held that the term seller’s account means a list of monetary



transactions associated with the seller. See Markman Opinion, pp. 14-15. Based on this construction, it appears that the disclosure in the Application reasonably conveys to those of ordinary skill of the art at the time that the inventor was in possession of the idea for a seller's account, even though the precise term "seller's account" is not mentioned. See, e.g., Application at p. 8, ll. 20-22 ("a participant may establish an account with his local consignment node to be debited and credited with the funds used and generated with his transactions."); id. at p. 25, ll. 11-12 ("It is understood that a consignment node user may have established a credit or deposit account for the participant from past sales or transfer of funds..."). Therefore, the court finds that there is an adequate written description for the term "seller's account." As such, the court denies the defendant's Motion for Summary Judgment in that the claims with a "seller's account" limitation are adequately supported in the written description. Furthermore, with respect to the plaintiff's Cross-Motion for Summary Judgment, the court grants the Motion insofar as the term "seller's account" has an adequate written description.

## **2. Debiting a seller's account a commission or fee**

The defendant also argues that the Application does not contain any language regarding debiting a seller's account a commission or fee; rather, it envisions a buyer paying the consignment node operator, who would then take his commission and pay the agreed amount to the seller. The plaintiff disagrees, arguing that there is adequate support for debiting a seller's account a commission or fee, directing the court to many of the same references cited above. In this court's Markman Opinion, it held that the term debiting a seller's account means to record a debt against a person's name or account. See Markman Opinion, pp. 23-24. The Application, on the other hand, envisions the consignment node operator removing the commission from the

sales price of the good prior to crediting the seller's account with the proceeds from the sale. See, e.g. Application at p. 9, ll. 14-16 ("For each transaction, the consignment node user extracts the small consignment fee, e.g., 6% of the sales price, thus the consignment node user directly benefits from operating a reputable consignment node."); id. at p. 25, ll. 18-20 ("After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee."). Therefore, it appears to this court that the claim language "debiting a seller's account the commission or fee from a transaction" is not adequately supported by the written description. As such, the court grants the defendant's Motion for Summary Judgment in that the claims specifying "debiting a seller's account" are not adequately supported in the written description. Likewise, the court denies the plaintiff's Cross-Motion for Summary Judgment with respect to the claims which contain this limitation.

#### **C. Plaintiff's Cross-Motion**

The plaintiff filed a Cross-Motion for Summary Judgment, asking this court to declare that all claims of the '051 patent are valid under 35 U.S.C. § 112, ¶ 1. The plaintiff has cited no additional case law or facts in support of its motion, rather it relies on its arguments in response to the defendant's Motion for Summary Judgment.

In response, the defendant argues that the plaintiff's motion is simply a "red herring" and "nothing more than a thinly-veiled attempt to get the last word in hopes of bolstering its opposition." See Def.'s Opposition, Dkt. 106, p. 26. The defendant argues that it limited all of its deposition questions to the narrow issue of seller's accounts. Moreover, the defendant states that the plaintiff has failed to offer evidence that all of its claims are supported by the written

description. For example, the defendant points out that the plaintiff has failed to supply evidence that the '051 patent adequately describes terminating an auction when a bid meets a seller-specified reserve price, as required by claim 22.

In its reply the plaintiff argues that defendant eBay is now arguing a situation where the buyer and seller engage in a transaction outside the system. Furthermore, the plaintiff argues that defendant Half.com conceded to the PTO, during a prosecution of its own patent application, that the plaintiff's written description does disclose that participants are both buyers and sellers. However, these arguments are not relevant to the Cross-Motion, which seeks a ruling that all claims of the '051 patent are adequately supported by the written description. The plaintiff's request far exceeds any of the arguments and evidence presented to the court. As such, the plaintiff has not met its burden to show that all claims in the '051 patent are adequately described in the application. Therefore, the court denies the plaintiff's Cross-Motion for Summary Judgment. As stated earlier, the court grants the plaintiff's Cross-Motion with respect to the term "seller's account" only.

#### **IV. Defendant Half.com's Motion for Summary Judgment**

This Motion for Summary Judgment, brought by defendant Half.com, argues that claims 1-9 and 29-41 of the '176 patent are invalid pursuant to 35 U.S.C. §§ 102(a) and/or 102(g). The thrust of the defendant's argument is that nine months before the inventor filed his application for the '176 patent, a computer programmer named Keith Basil, working at Internet Presence and Publishing, Inc., developed and implemented the same method set forth in the asserted claims of the '176 patent. In other words, the defendant argues that the system described in the '176 patent was in public use before the original application was filed in April of 1995. See 35 U.S.C.

§ 102(a). Furthermore, the defendant contends that these claims are also invalid because Mr. Basil and his company did not abandon, suppress, or conceal the public use of the prior system. See id. at § 102(g). As a result, the defendant argues, the above set of claims of the '176 patent are invalid.

Section 102(a) provides that "[a] person shall be entitled to a patent unless the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for the patent." Id. at § 102(a). Section 102(g) allows a patent to issue unless "(1) ... the inventor ... establishes ... that before such person's invention thereof the invention was made by such other invention and not abandoned, suppressed, or concealed, or (2) before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it." Id. at § 102(g). If a prior art reference falls into one of these categories, then the court must determine whether the prior art teaches or anticipates the claims of the later patent.

#### A. Is MESCH Prior Art?

The defendant argues that Mr. Basil invented a program called Internet Shopkeeper and a search function program called MESCH (Multi-WAIS Engine for Searching Commercial Hosts), which was conceived in August of 1994 and in public use as of October of 1994. The MESCH system allowed a user in Mr. Basil's Internet Shopkeeper to search the participating web sites for keywords entered by the user. As such, the defendant argues that this invention qualifies as prior art under section 102(a). Furthermore, the defendant contends that the MESCH system concept was published on internet bulletin boards and presented at internet conferences. Thus, the defendant argues, the MESCH system was not abandoned or concealed from the public and

therefore qualifies as prior art under section 102(g). Based on the evidence provided, the court finds that the MESCH system is prior art under sections 102(b) and 102(g).

**B. Did MESCH Anticipate the '176 Patent?**

The next task the court must undertake is to decide whether the MESCH system anticipates claims 1-9 and 29-41 of the '176 patent. "Invalidity based upon lack of novelty (often called 'anticipation') requires that the same invention, including each element and limitation of the claims, was known or used by others before it was invented by the patentee." Oney v. Ratliff, 182 F.3d 893, 895 (Fed. Cir. 1999) (quotation omitted); see also Apple Computer, Inc. v. Articulate Sys., Inc., 234 F.3d 14, 20 (Fed. Cir. 2000) ("Anticipation under 35 U.S.C. § 102 requires the disclosure in a single piece of prior art each and every limitation of a claimed invention."), Union Oil, 208 F.3d at 994-95 (same). "Although anticipation is a question of fact, it still may be decided on summary judgment if the record reveals no genuine dispute of material fact." Oney, 182 F.3d at 895. Furthermore, "the [prior art] reference must be enabling and describe the applicant's claimed invention sufficiently to have it in possession of a person of ordinary skill in the field of the invention." In re Paulsen, 1475, 1479 (Fed. Cir. 1994). In order to prevail on anticipation, the defendant must prove its case by clear and convincing evidence. Union Oil, 208 F.3d at 995.

As with all literal infringement cases, the court must first determine the scope of the claims. In this case, the court has already performed this task. The court has held that item is a good and electronic market is a trusted network or system where participants can buy, sell, search or browse goods online. See Markman Opinion, pp. 28-31. The court's findings on these constructions, the court turn to whether the MESCH system anticipates each and every limitation in the contested

claims of the '176 patent. It appears that while the MESCH system did anticipate searching a plurality of electronic markets, it did not anticipate searching Internet Shopkeeper participant web sites, Automatrix, Internet and Oslonett.no, were electronic markets in that they were computerized systems that listed participating buyers and sellers to exchange information about prices and product offerings. However, it appears to this court that the MESCH system did not limit its searches to goods that it rather searched for words, regardless of their context. One example offered by the plaintiff is that if a customer were searching for a computer monitor to purchase, the '176 system would search for computer monitors that were available for purchase in a plurality of data sources. In contrast, it appears that the MESCH system would look for the words "computer" and "monitor" on a number of registered web pages and return sites that listed these words, regardless of whether they would be in the context of an article that mentions computers or monitors. This would not be considered an item, as defined by this court. Therefore, there exists a genuine dispute of material fact over whether the MESCH system anticipated each and every element of the claims of the '176 patent. As such, Half.com's Motion for Summary Judgment is denied.<sup>2</sup>

## V. Conclusion

For the reasons set forth above, the court GRANTS in part and DENIES in part defendant eBay's Motion for Summary Judgment that the claims of the '176 patent are invalid for an inadequate written description. The court also GRANTS in part and DENIES in part the

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<sup>2</sup> The court also believes that the MESCH system did not anticipate a trusted network. However, since the prior art must anticipate each and every element of the claim, and because the court found that one limitation in the '176 claims was not anticipated, it need not continue to the other elements for purposes of this Motion.

plaintiff's Cross-Motion for Summary Judgment that all claims of the '051 patent are valid for an adequate written description. Finally, the court DENIES defendant's Motion that claims 1-9 and 23-41 of the '176 patent are invalid pursuant to 35 U.S.C. §§ 102(a) and/or 102(g).

The Clerk is **REQUESTED** to send a copy of this Order to counsel of record.

It is so ORDERED.

  
UNITED STATES DISTRICT JUDGE

Norfolk, Virginia  
October 2, 2002

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